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ECONOMIC AFFAIRS

No. 86

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NATIONAL ECONOMIC POLICY

GREATER POWERS FOR ENTERPRISES SUGGESTED

OW060044 Beijing XINHUA Domestic Service in Chinese 0702 GMT 5 Sep 80

[Article by XINHUA commentator: "Give Still Greater Self-Management Powers to the Enterprises"]

[Text] Beijing, 5 Sep (XINHUA)--There are now more than 6,000 state industrial enterprises in our country that are expanding their self-management powers on an experimental basis. The economic results of increased production and increased income as well as a series of new management changes by these enterprises have manifested the great and far-reaching significance of this restructuring of our system of economic management. The question now is how to continuously solve the existing contradictions between this restructuring and the current management system and give still greater self-management powers to the enterprises in order to progress in the work of a more extensive restructuring of the economic management system.

Since experiments in expanding the self-management powers of enterprises were started, there have been changes in the regulations and systems unsuitable for the experiments and the economy has become more active. However, it should be noted that quite a few of the conventions and restrictions fettering the enterprises still remain. Despite repeated calls by the party Central Committee and the State Council for expanding the powers of self-management enterprises, some localities still have not done well in implementing the principles and policies on this power expansion due to the fact that in some departments the regulations and systems are still the old ones.

At present, the expansion of self-management powers for the enterprises calls for not only continued efforts to improve and perfect the methods of profit sharing but also active efforts to expand the enterprises' powers in the areas of planning, goods and materials, marketing, labor and personnel. An enterprise may, under the condition that its fulfillment of the task to supply commodities as set in the state plan is guaranteed, arrange for production of commodities in addition to what is called for in the state plan or undertake such production in cooperation

with other enterprises. Aside from the goods and materials supplied by the state according to its plan, all enterprises may purchase whatever additional goods and materials they need. The contracts and agreements signed between enterprises should be protected by the state law. A limited number of key enterprises may have the power to engage in foreign trade with the approval of department concerned, if they are qualified. All provinces, municipalities and autonomous regions should also select several of their enterprises to experiment with the practice of "carrying out independent accounting, paying taxes to the state and being responsible for their own profits or losses." In short, we should see to it that, under the guidance of the state plan, the enterprises will have still greater self-management powers than they have now in the areas of personnel, finance, materials, surply, production and marketing.

All economic reforms now being carried out must be conducive to the needs of the expansion of enterprise self-management powers. For example, there is the question of "where does the power come from" for the leading organs of the corporations that have been formed in some localities in the course of integrating the various economic sectors. Once a corporation is set up, it, of course, should have functions and powers. But it should ask the leading departments in charge for such powers. The leading departments in charge should authorize the corporation to have powers commensurate to its functions. But these powers must not be those already given the enterprises subordinate to the corporation. In other words, the powers of the enterprises must not be concentrated in the hands of the corporation. If this is not done, it would be inevitable for the enterprises to find that in addition to the "boss" they have in the leading departments in charge, they have another "boss" in the corporation. Thus the enterprises would have more restrictions and fewer self-management powers.

Some comrades set the expanded self-management powers of the enterprises against the leadership of the leading organs. In their opinion, since the expansion of enterprise self-management power is to be emphasized, there is no longer the need for them to be concerned about the enterprises can be left alone. This is a misunderstanding. The question is not whether there is the need for leadership; rather, it is now to lead well. Leading organs at all levels must adapt themselves to the new situation to improve and strengthen their leadership, make conscientious efforts to do well in providing services, conducting unified planning and coordination and exercising supervision and to solve new problems in good time. They must cut down on unreasonable administrative interference with the enterprises, instead they should use economic means for managing them. It is correct for the leading organs to set plans in an instructive manner for the enterprises, adopt necessary administrative means to insure fulfillment of the state plan by the enterprises and make sure that the enterprises organize their activities in the spheres of production and circulation in line with the purposes of socialist production.

In the future the leading state departments should exercise their leadership over the enterprises mainly by policies and decrees and by giving fuller play to the regulatory role of such economic levers as tax revenues, prices and credit loans. They should gradually restrict the practice of setting plans for the enterprises as instructions and expand the practice of drawing up plans that have the nature of forecasts and guidance. They must strive to see that the enterprises are liberated from too much administrative interference from the leading departments.

As for the enterprises themselves, there is the question of "to whom the expanded powers should be given" when they are expanding their self-management powers. Since an enterprise is an integrated body in which laborers work jointly, it should be clear that to expand self-management powers is in fact to expand the powers of its workers and staff in managing the enterprises as masters. There are some comrades who are worried that the leaders of an enterprise may abuse the expanded powers. Their worries are justified. To avoid this, it is necessary to successfully promote democratic management in an enterprise while expanding its self-management powers by establishing and perfecting the system of a congress of the workers and staff and by giving full play to and safeguarding the powers and role of this congress in managing the enterprise. All important matters, such as the formulation and revision of important regulations and systems, the enterprise's long-term development plan and annual plan, where the development fund of the enterprise is to be used and the plan for technical innovations for production, must be discussed and examined by the congress of the workers and staff. A congress of the workers and staff should be empowered to exercise supervision over the cadres at all levels in an enterprise with respect to the latter's efforts in implementing the party's line, principles and policies. The congress can make suggestions, subject to examination and approval by the higher level leading organ, on commendations, rewards, punishments or removal of leading cadres. All matters that have a direct bearing on the personal interests of the workers and staff, such as the distribution and use of their welfare and reward funds and the plan for wage adjustments, should be decided only after a discussion by the congress of the workers and staff.

The expansion of powers of self-management of the enterprises represents a fundamental link in the restructuring of China's economic management system. It is an effective approach to enliven the economy and promote the development of production. Practice in the various localities has already eloquently demonstrated that this expansion can mobilize the initiative of the enterprises and their workers and staff and that it has already brought gratifying results in strengthening the concepts of management, market, service and competition among the workers and staff, improving management and raising economic results. China has more than 300,000 industrial enterprises. They have considerable value and area as a base for us to promote the four modernizations. Successful accomplishment of this work of expanding self-management powers of the enterprises will surely prove useful to tapping the existing potential of the enterprises and raising China's industrial production to a new level. The leading economic departments must make do this restructuring work well and create still more favorable conditions for the enterprises to expand their self-management powers.

CSO: 4006

NATIONAL ECONOMIC POLICY

BETTER MANAGEMENT IN ENTERPRISES URGED

HK070534 Beijing RENMIN RIBAO in Chinese 28 Aug 80 pp 1, 2

[Editorial: "Learn To Use Scientific Methods to Successfully Manage a Modern Large Enterprise"]

[Text] Shanghai petrochemical plant has reported inspiring glad tidings: since it was completed, inspected and accepted in June last year, 18 sets of production installation have been safely, steadily and continuously operating at full capacity. This is China's biggest chemical fiber plant, in which some 2 billion yuan was invested; it imported much foreign advanced technology and equipment and, due to good management, reached its scheduled comprehensive production capacity and gained good economic results within a comparatively short time. The experience provided by Shan Hai Petrochemical Works merits attention.

Why could Shanghai petrochemical plant attain its comprehensive production capacity according to the original plan? At the outset of its construction, it first formulated its policy and plan on the basis of scientific analysis. Practical experience has told us: the waste caused by improper and careless policy and plan is very shocking and can hardly be remedied afterwards. To build a large project, it is at least necessary to grasp three things well:

First, it is necessary to select a good site for a plant. A large modern enterprise sets relatively high demands on the conditions for resources, energy resources, industrial cooperation, communications, transport, source of water, geology, the technological and cultural quality of the forces of staff and workers, and so on. With these necessary conditions, we can build a plant comparatively smoothly and fundamentally guarantee normal production. If we allow a small number of people to make a rash decision on assumptions without scientific analysis, there will be no end of trouble for the future. Under the influence of the ultraleftist line during the 10-year catastrophe, many plants did not do well in selecting factory sites and thus caused great irretrievable loss. By negative example, this has proven the importance of this problem.

Second, it is essential to properly select technology and equipment. Proceeding from our country's actual situation, we must take their advanced levels, suitability and reliability into consideration at the same time. Generally speaking, key technology and equipment must be more sophisticated. However, we must make more use of suitable "intermediate technology" so as to save investment a little, shorten the work period a little and perform operations a little more successfully. We can thus achieve the desired economic results. What is wrong with that? We must manufacture as far as possible complete sets of equipment which can be designed and manufactured at home. We can thus not only save investment but also guarantee supply of the spare parts for repair purposes after equipment is completed and put into operation. If we are divorced from reality and attach importance only to highly automatic and advanced technology and equipment, the result will be that we must increase our investment and cannot tackle the technological and administrative problems. We cannot even insure normal operation and production. We cannot bring into play technology and equipment however advanced they may be. Such a lesson must not be repeated.

Third, we must insure coordination of the principal part of a project with its supplementary projects; production installations with public utilities such as water, electricity, petrol and gas; production facilities with living facilities; and the progress of building a plant with the progress of making arrangements for the complete sets of equipment, raw materials and foreign parts. In general, we must systematically analyze the factors for building the project of a large modernized enterprise and for the various items involved in its production. Over the past years, some scientists of our country have preached modern administrative science such as "systematic project," which is conducive to formulating policy decisions and plans more properly and carefully. We must strive to study and apply it. In building and administering a large modern enterprise, it will not do to act on assumptions and follow conventions.

We must get familiar with and master advanced technology and equipment. We can thus bring them into full play. This requires us to study humbly. We must not only "know the hows" in order to skillfully operate them but also "know the whys" in order to master them. The technology and equipment of large modern industrial enterprises are very complicated and delicate. Therefore, at the outset of their construction, we must regard mastering advanced technology and equipment as an important subject. We must master both technology and equipment manufactured at home and abroad. At the stage of construction, we must organize specialized forces to master imported technology and equipment; organize grassroots cadres and production workers to install and test equipment; and through on-the-spot training, closely link construction with production. We must give full play to the role of the technological personnel employed from foreign countries. With their assistance, we must understand and master in an all-round way technology, functions of equipment and the main points of operation. Now nobody regards advanced technology

and scientific administration as "the stuff of the bourgeoisie," adopts attitude of despising them and commits the folly of criticizing them. However, some people still do not pay attention to cooperating with and seriously learning from technological personnel who have been employed from foreign countries with foreign exchange, with the result that they cannot master and use very well imported advanced technology and installations and cannot adopt scientific administrative measures provided by them. A very big loss is thus caused. This situation must be changed as quickly as possible.

To administer large modern enterprises, it is essential to do all items of fundamental work well, vigorously raise the levels of production, technology and administration and insure safety, steady and continuous production. We must rely on science to manage large modern enterprises. We must establish a sound and clear post responsibility system and formulate scientific and strict regulations governing technology and operations. Through scientific analysis and scientific determination, we must establish all kinds of working standards. We must help staff and workers to quickly master fundamental technological knowledge, working skills and so on. Through making efforts in these aspects, we can organize scientific, rational, proper and reliable production. We can thus promote output, improve quality of products and achieve economic results.

Whether the management of large modern enterprises is good or not has an extremely important effect on the national economy as a whole. To manage large modern enterprises, we must be economically-minded and acquire professional knowledge. Judging from the present situation of our country, the standard of enterprise management awaits improvement and the standard of business transaction is very low. We lack people who know management. People who are good at business transaction are even fewer in number. While doing well in grasping production, technology and management, we must therefore strive to enhance our ability in "transaction," invest our money in proper enterprises, produce marketable products, quickly circulate capital, use it efficiently, have a clear picture of domestic and foreign markets and carry out successful competition. To do these well, we must give enterprises more right of self-management. If we impose too many restrictions on enterprises, it will hinder the development of the enterprises. This situation must be changed.

As a result of construction for 30 years since the founding of our country, all industrial departments now have a number of large modern enterprises. In the wake of the progress of the four modernizations, we shall have more and more large modern enterprises. Our country is a developing country and the people throughout the country have been living frugally. It is not easy for the country to concentrate an investment of several ten or hundred million or even several billion yuan on building a large modern enterprise. If, after the enterprise is built, it cannot "master"

advanced technology and equipment and makes a mess of production and management, and thus cannot attain its predetermined production level and pay off its investment for a long time, with even accidents frequently occurring, an enormous amount of investment will be wasted and we shall certainly fail to live up to the expectations of the people throughout the country. Therefore, all industrial enterprises throughout the country, particularly large modern enterprises, must seriously sum up experience, emancipate the mind, seek truth from facts, constantly improve their scientific administrative level and scale new heights.

CSO: 4006

NATIONAL ECONOMIC POLICY

ECONOMIC JOURNAL ON ECONOMIZING ON USE OF LAND

KH0410S7 Beijing JINGJI GUANLI in Chinese No 7, 15 Jul 80 pp 10-12

[Article by Zhang Zhen Ming (1728 2182 6900): "To Economize on the Use of Land Is an Urgent Problem"]

[Text] I

Land is the basic production material for agriculture. It is also an important production material for industry. The plant buildings, roads, pipelines and warehouses of the departments of industry and communications and transport are all inseparable from the use of land. Likewise, other departments of the national economy and the various trades and professions of the social structure are inseparable from the use of land. The entire development of social production, the improvement of the people's livelihood, the balancing of nature's ecology and environmental protection and improvement are all closely related to land utilization. Hence the effective control and rational use of land has become an important lesson in the scientific management of the national economy in countries all over the world.

An outstanding contradiction in the construction of the four modernizations in our country is our enormous population pitted against a shortage of arable land. This is a big obstacle blocking the way to the accomplishment of the four modernizations. The way to solve the contradiction is on the one hand to control the growth of the population in a planned manner, and on the other to effect planned economy in the use of land. If neither of these objectives is properly achieved, the foundation of our socialist economy will not be stable, the national economy will not be able to sustain a high degree of development and the people's lives will not be able to be improved to any great extent. Concerning population economics, our academic circles have already engaged in lively discussions, while both the party and the government are actively propagandizing and solving the problem of a planned birth rate, and certain results have been achieved. Unfortunately, the study and application of land economics, has yet to be brought to people's attention. The problem of economizing on the use of land has been treated as a matter of far less strategic importance than that accorded to population control. This situation should be changed at once.

The total land area of our country is roughly 14.4 billion mu, the 3d largest in the world. It is composed largely of plateaus, mountains, grassland and deserts and there is only a small proportion of arable land. At present, the total land area under cultivation is nearly 1.5 billion mu, or about one tenth of the country's total land area. This averages out to 1.6 mu per capita or only one fourth of the world's average of 5.5 mu per capita. In 1957, the total land area under cultivation in the country was originally 1.67 billion mu. It dropped to below 1.5 billion mu in 1977. Over the past 20 years, capital construction and natural disasters have cut down the total land area under cultivation by 500 million mu against which reclamation and the opening up of new farmland have added a total of 320 million mu. This is equivalent to a net reduction of some 180 million mu of cultivated land, or equivalent to the combined land area under cultivation in the three provinces of Sichuan, Guangdong and Guangxi. During the same period, the country's population increased by 300 million people, the nonagricultural population increased by 40 million but the per capita ratio of cultivated land continued to decrease. Because a rather large proportion of the land used for capital construction was near urban areas, the drop in the area of cultivated land on the outskirts of cities and towns was particularly conspicuous. For example, in Beijing Municipality there were some 9.10 million mu of cultivated land in the initial period after liberation. Now it has dropped to only 6.4 million, that is to say, a reduction of 2.7 million mu, or nearly 30 percent, over the past 30 years. Over the last 10 years, each year 20,000 mu of cultivated land were consumed for other uses. At this rate, in another 10 years, it will be equivalent to Haiding District, one of the three largest vegetable producing districts of the municipality, entirely disappearing from the scene. If peremptory measures are not taken at once to stop or curtail this trend, the outcome will be unthinkable.

Will the vigorous reclamation of waste land help to solve the contradiction of there being a big population and a scarcity of land? Looking at conditions over the past 20 years, each year an average of 16 million mu of waste land was reclaimed whereas 25 million mu of land was occupied for other uses. Not only was the speed of land reclamation far behind that of the use of land for nonagricultural purposes, but there were also many losses that could not be compensated for such as destroying forests to build farmland, abolishing animal husbandry for the sake of producting grain, building dikes to reclaim land from lakes, and so on. At the present moment, our country has already a scanty reserve of available waste land for reclamation, possibly less than 500 million mu, mainly scattered in such faraway regions as Heilongjiang Province and the Xinjiang Autonomous region. A large scale reclamation and construction campaign requires the mobilization of large quantities of manpower, material resources and funds and is certainly no easy job. Even if all the available waste land has been reclaimed, it is still doubtful that that present level of per capita cultivated land can be maintained.

These being the actual conditions, and while the construction of the four modernizations has just begun, we should firmly resolve to abide by the guidelines calling for treasuring cultivated land and practicing economy in the use of land. Accompanying the development of socialist construction

enterprises, it is probable that more and more cultivated land will be put to other uses and the total area of cultivated land will actually decrease day by day. For this reason, from now on we should pay important attention to continually stregnthening management and control, to learning from advanced scientific techniques to save each and every inch of cultivated land, and to reduce to the minimum the use of land for nonagricultural purposes. We must also strive hard to raise the utilization rate and productivity of land. This is the only way out.

II

At present, many serious problems confront the use of land for construction purposes. They are:

1. Each Going One's Own Way, Duplicating Construction Projects and Wasting Valuable Land and Limited Resources

One of the actual phenomena is: Since there are numerous organizational units, each has its own offices, dormitories and subsidiary enterprises. Many of them, particularly the top level leadership organs, each have a complete set of office buildings, auditorium, truck fleet, warehouses and stores, nursery, hostel, hospital and print shop, but the utilization rate of each of them is very small. Another phenomenon is: Among the units taking charge of production, or supply of materials, or scientific and research work, a very serious state of duplication of construction work is in evidence. Among the production units, there is a general phenomenon of "old plants not running at full capacity while new plants are being erected." The departments handling material supplies have built warehouses one after another. Despite the fact that they occupy much land, incur large investments and employ a lot of personnel, the turnover of materials is still very slow. Among scientific research units, duplication in the importation of foreign technology or equipment and of work projects is frequently seen.

2. Much Cultivated Land Occupied But Waste Land, Land of Inferior Quality and Vacant Land Not Used

The state has stipulated: "Cultivated land and good farmland should not be requisitioned for other uses; if absolutely necessary, requisitions should be kept to an absolute minimum. Actual conditions have contradicted this ruling, particularly in large cities and towns. Generally speaking, in a city's outskirts, land is sparse and is good in quality but it is here that units prefer to requisition land for building purposes. There may be much waste land and vacant land further away from the city but no units wish to venture so far. According to statistics compiled by Beijing Municipality, over the past 30 years, of the land requisitioned by the state, 68 percent was cultivated land, most of which was concentrated in people's communes in 3 of the municipality's outskirts which supplied the municipality with vegetables.

3. Lack of Overall Planning: Jobs Done Piecemeal; Harassing the People and Draining the Treasury; Extremely Low Land Utilization Rate

The power of granting land for small projects and the building of small numbers of single storey houses is usually passed on to lower level organs, but the system of control is very lax. Some units adopt the policy of "nibbling" or requisitioning land here and there, wasting land, manpower and material resources and building single storey houses on separate lots. Some land requisitioning units in control organs even occupy the land first and apply for requisitioning afterward. Practices of this in waste land and have injurious effects on the overall layout of a municipality.

Another phenomenon worthy of note is that a small number of cadres have vied for self-enjoyment. Employing both "legitimate" and illegimate means, they have discarded their old houses and sought new ones, especially spacious and foreign-style buildings. They scramble with each other for the building of residences and private villas. Subordinate units are inclined to follow suit. They do not begrudge the wanton use of cultivated land and good farmland. Despite repeated orders from the central authorities, practices of this kind are still prevalent.

4. Requisitioning More Than Necessary; Tardy Use of or Failure To Use Requisitioned Land; Occupying Land First, Seeking Sanction Later; Occupying More Than Sanctioned or Without Sanction; Occupying Land Permanently Despite Only Temporary Sanction

Phenomena of this kind were extremely prevalent at the time when Lin Biao and the gang of four ran amock. Their remnant ill effect have still not been completely eradicated.

5. In Reality, State Has Lost Control of Use of Land in Rural Villages, Communes and Brigades

Large areas of land have been wasted by communes and brigades in setting up enterprises, or building residences for their members, or for burying the dead. In the use of land, some communes and brigades seized land at random and damaged much cultivated land. Over the past few years, one commune is known to have ruined over 500 mu of land (including cultivated land), causing a loss of some 250,000 jin of grain.

III

Over the past 30 years, the experiences, good or bad, socialist construction in our country have testified to the following: economizing on the use of land is the overall reflection of the level of management of the national economy. National capital construction requires the use of land while construction by the communes and brigades and the building of houses for their members also require the use of land. Readjusting and maintaining the ecological balance, converting a bad environment to a good environment,

developing the plantation trade, the upkeep and development of forestry, grassland, water surface areas, greenery and vegetation all require the use of land. These factors are all complex ones. They overlap and are interwoven, they involve many fields and call for the adoption of a strong policy of control. If we just loo at things superficially and come up with temporary solutions to problems without getting at the root of the trouble, we will get nowhere. For example, the state's regulations governing the requisitioning of land stipulates the following: "In land requisitioning, the organization empowered to approve the first draft of the plan for the construction project is responsible for sanctioning the area of land to be used." But what are the principles which govern the approving organization in making a decision? Does it abide by the principle of building "large and comprehensive" and "small but comprehensive" projects or the principle of "specialization and coordination" and at the same time making a reasonable overall arrangement? These two principles will bring about two entirely different results. If only we can recall the sufferings in 1958 and during the period of the Great Cultural Revolution, the situation may be clarified. Once the national economy is devoid of scientific management, the control and use of land will necessarily cause confusion and may even court disaster. For this reason, to carry out effective control and rational utilization of land, we must abide by objective economic and natural laws and, starting with the overall situation of the national economy, effect a comprehensive balancing of all factors and make a unified plan with due consideration to all concerned. We must clearly demarcate what is rational from what is irrational, adopt effective measures and assert strict control.

In order to speedily correct the confusion in the use of land, we believe that at the present moment we earnestly need to achieve the following:

1. To organize practical workers and theorists into a group and to earnestly spread the scientific research and study of land economics and engage in penetrating propaganda work on the subject. This is to enable leading organs at various levels to obtain a clear understanding of the serious nature of the wasteful use of land at present and also of the urgency to put land under control. The various trades and professions should not begrudge assuming the responsibility of economizing on the use of land. Government departments at various levels and economic leadership organs should grasp the economic utilization of land and the banning of the wanton use of land resources as an urgent and strategic task in national construction.

2. To put under unified planning those construction projects related to industrial and agricultural production and national defense. Large scale capital construction and accessory building activities should be subject to the four unifications, namely, unified regulations, unified land requisition, unified construction work, and unified plans. As to construction in cities and towns, particularly in large cities and towns, an overall planning scheme should be formulated as soon as possible. A construction guideline should be determined. The scale of construction and the size of the population of the cities and towns should be rigidly controlled.

3. To take economizing on the use of land as an important principle governing the rebuilding of old cities and towns. Some of our comrades did not do accounting work concerning land but confined themselves to money accounts. In rebuilding old cities and towns they continually expanded the scale and scope of the projects, without setting any limit on the amount of cultivated land they occupied on the outskirts of the city. Conditions of this kind should be speedily remedied. The rebuilding of entire streets and blocks of buildings in old cities and towns should be carried out according to plan and in conformity with the available financial and material resources of the state. Related government departments should adopt the same attitude as if they were playing chess and spontaneously and closely coordinate and cooperate with each other concerning such matters as land requisitioning, tearing down old houses and evacuating residents to new housing sites, regulated planning, supply of materials, actual construction work, formulation and coordination of municipal construction plans, and so on. As seen from the many applicants for housing still on the waiting list, the housing problem is indeed an urgent one. At present, there is an urgent need to step up the building of residences and dormitories, in order to solve the difficulties of those urgently in need first. But we should do our utmost to demolish old buildings and put up new ones. We should tear down single storey houses and replace them with multistorey buildings and should prevent the arbitrary occupation and use of cultivated land. Upon completion of the new buildings and in occupancy allocation, consideration should be given to all concerned. On the one hand, regard should be given to new residents. On the other, the needs of former residents should be met as well. In this way, we would be gaining the initiative in the work of rebuilding old cities and towns. Meanwhile, units doing expansion and rebuilding work should first of all tap their own potentialities concerning land requirements. They should abide by the provisions of unified city planning.

4. To enact as early as possible a land statute and amplify the control system over land occupation. Economic legislation and working according to economic judicial procedure represent forceful means which highlevel organs can employ to readjust economic relationships. It provides a legal guarantee to the maintenance of the public ownership system of land under socialism and insures the proper control and proper use of land. Violations of the land statute should be subjected to criticism, educational processing, disciplinary action, economic sanction and even criminal prosecution depending on the seriousness of the case. Experiences over the past 30 years since the establishment of the republic have amply testified that such provisions and indispensable. At the same time, based on the principles governing the regulations of the land statute and taking account jointly of the present state of development of the national economy and of the reforms in the system of control over the national economy, the controlling organs should promulgate regulations governing control of land and provisions for their implementation. Only in this way will there be laws and regulations to fall back on and can enforcement of the law be stern and prosecution of violations be severe. This will stop and eradicate the phenomenon of the wanton and lavish use and destruction of land resources.

5. To initiate a tax on land utilization. While strengthening administrative control, economic tactics may simultaneously be employed to firmly implement the principle of "using whenever possible barren land, hilly land, land of inferior quality, vacant land or reclaimed land and using as little cultivated land as possible or none at all." From now on, construction units granted the use of land should be subjected to a land utilization tax. Those making use of barren land should be exempted. A higher tax rate should be levied on those using cultivated land while those using good farmland in the city's outskirts should pay a heavy tax. Communes and brigades using cultivated land for various construction purposes should not be exempted from the farm tax or from the unified purchase scheme of the state.

6. In planning civil and industrial construction projects special stress should be laid on economizing on the use of land. Whenever conditions permit, large cities and medium and small cities should promote the building of multistorey buildings. Over a long period of time, the plans for industrial construction in our country have followed practices of the Soviet Union, deploying large tracts of land and indulging in extravagance. From now on, apart from stipulating that the ground area of a construction project should be as restricted as possible, certain light industrial plants should be housed in multistorey buildings, certain kinds of workshops should be grouped toether in the same building, and certain warehouses, stores and annex projects should be located in multistorey buildings. In future, an important criterion for judging the performance of a construction planning unit will be whether or not it has effected economy in the use of land in its planning. We should learn from many advanced industrial countries which have paid close attention to environmental protection and safety while at the same time economizing on the use of land. In addition, we should help the vast masses of communes and brigades to gradually follow rational regulations, change their planning, promote the building of more multistorey buildings, and pursue planned construction work.

7. To strengthen centralized leadership, establish specialized organs, enforce unified management, and adopt a grade responsibility system. Government departments above the district level should set up land utilization control committees (or leadership groups) supervised by the leadership personnel and participated in by members of their respective planning, economic, construction and agricultural committees. These control committees should be responsible for carrying out propaganda work and the land policies and statutes of the state. They should formulate the necessary management rules and provisions for their implementation, examine and approve land regulation schemes and their implementation, examine and approve land requisition applications within their jurisdiction, and lend necessary support to economic judicial organs in prosecuting serious cases of lavish use of, and damage to, land resources. In agricultural sectors, land utilization control bureaus (departments) should be set up to take charge of concrete tasks. They should strictly prohibit any unit or individual not in charge of land control functions from exceeding their powers and examining and aproving the requsition of land.

CSO: 4006

NATIONAL ECONOMIC POLICY

SICHUAN'S DEVELOPMENT VIEWED BY GOVERNMENT OFFICIAL

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[Article by Tian Jiyun [3944 4764 0061] of Sichuan Provincial Finance Bureau: "On Broadening the Sources of Income"]

[Text] Socialist finance is an important means for the state to raise and allocate funds. How should the localities, under the central government's unified leadership, give full play to the local strong points, broaden the avenues of production and increase their financial resources? Provided revenues and expenditures are balanced, how will local finance strongly support and promote production, construction and the development of various undertaking, and then gradually improve the people's material and cultural life? All these are important tasks which must be well handled. Now, let me present some superficial views particularly on the question of broadening our financial resources and increase state incomes on the basis of accelerating economic development.

I

Way back in 1934, Comrade Mao Zedong pointed out: "To increase our revenue by developing the economy is a basic principle of financial policy."[1] Later, he further pointed out: "Without a well-based economy, it is impossible to solve financial difficulties, and without a growing economy, it is impossible to attain financial sufficiency."[2] Practice has proved Comrade Mao Zedong's statements to be correct. According to the situation in Sichuan, the total industrial and agricultural output during the first five-year plan period increased progressively at an average rate of 12.9 percent each year, and financial revenues increased progressively at 9.5 percent. During the second five-year plan period, the total industrial and agricultural value decreased progressively at an average rate of 3.8 percent each year, and the government revenue decreased progressively by 6.5 percent. During the 3 years of readjustment, the total industrial and agricultural output value increased again progressively by 14.4 percent and the revenue increased progressively by 18 percent. In the latter part of the Great Cultural Revolution, the interference and sabotage by Lin Biao and the "gang of four" brought the

national economy to the brink of collapse and the plan for revenue was unfulfilled for 5 years running. The smashing of the "gang of four" brought a rapid recovery and development in production, and government revenue again increased by a wide margin for 3 successive years, averaging a progressive increase of 22.8 percent annually. The changes in agricultural production and development and in government revenues during the above mentioned periods shows that production determines distribution, and economy determines finance. Since economic development is the material foundation for the growth of government revenue, the only correct way to broaden the sources of income is through economic development and increased government revenue.

Practice has also shown that finance can play a positive role on economic development. The speed of economic development can be increased in many ways, such as the implementation of a correct tax policy, rational financial allocation and an overall balance, the correct handling of the relationships between the state, the collective and the individuals in distribution, and raising the economic effects of government finance. Shortly after the smashing of the "gang of four," Sichuan faced great difficulties both economically and financially. The provincial party committee repeatedly pointed out that in order to solve financial problems, we must begin with economic development. It further pointed out that if we wanted to enliven economy, we should rely on policies to arouse enthusiasm in various quarters. For several years, the financial departments have adopted a series of practical measures, based on the directives of the Party Central Committee and the Provincial Party Committee and in coordination with the unified policy of the central authorities. These measures were, for example, 3 years' exemption from tax for newly established commune- and production brigade-run enterprises and urban collective eneterprises; 50 percent reduction of tax on the increased income of collective handicraft industry; reduced tax on liquor substitutes; fixed subsidies for losses incurred as a result of implementing government policies; sharing benefits from reduced losses; and direct links between the material benefits of the enterprises and their workers and staff members and the profits handed over to the state among the experimental enterprises with expanded decision-making power. These measures have achieved outstanding economic results and speeded up economic readjustment and the recovery and development of industrial and agricultural production.

The question of broadening the sources of income is essentially a question of financial management. Finance workers must have a correct financial mentality and be able to correctly handle the relationship between economy and finance, and consider financial problems by proceeding from the overall national economy. To be able to do all these, they should not be satisfied with being good "money keepers." Instead, they should be good economists and be good at applying the economic laws. Instead of merely "protecting the present possessions," they should strive to "create wealth"; and instead of urging people to get their work done, checking on their work, totalling up their accounts and then reporting to the higher authorities, they should give thoughts to economic development, bring into full play various

financial functions and speed up the national economic development. Economy is the source, and finance is the flow. Broadening the sources of income means promoting the development of the national economy, the growth of social wealth and the increase of national income. With a developed economy, social wealth and national income will increase, the sources of revenues will be broadened, and finance will be enlivened. If this way is used for broadening the sources of income, then financial revenues will grow by not only "addition" but also probably by "multiplication."

To start increasing the revenue by broadening the sources of income, we must observe the objective economic laws. Under conditions of socialism, we can give more scope to the superiority of the socialist system and enable the national economy to develop harmoniously at a sustained high speed, provided the economic laws are observed; otherwise the development will slow down, come to a halt, or even go backward. Since the founding of the People's Republic, the finance departments have done a great deal of work in promoting production with great success, which must be recognized. However, since they did not quite understand economic laws, they have also done many foolish things. For example, at the very mention of promoting production, they immediately "promoted any kind of production," by supplying to any "need" and without considering the need for the harmonious development of the national economy or for an overall balance of revenues and expenditures. Again, at the very mention of "vigorous action," all available financial and materials resources and manpower will be thrown into the project regardless of the economic result. As soon as the "five small" industries were stressed, an "independent and complete industrial system for supporting agriculture" was formed at every level regardless of the objective conditons. The results turned out to be exactly the reverse. In broadening the sources of income hereafter, we must maintain a balance of revenues and expenditures, limit our expenditures as permitted by the revenues, follow the plans for national economic development and note the relative urgency of various projects. We must support whatever needs support and restrict whatever should be restricted. We must take advantage of taxation, credit and pricing as economic levers in implementing the principle of material benefits in order to arouse the activism in various quarters in increasing their production and income. We must also promote production according to the socialist goal, conduct in-depth market investigations, analyze the competitive power of various products, carefully consider such factors as raw and semi-finished materials, power, equipment and technology, size up the situation carefully, watch the trend, and determine the directions before taking any action. At present, we must particularly and conscientiously implement the policy of readjustment, restructuring, consolidation and improvement, and actively promote the readjustment of the national economy.

The broadening of financial resources should be carried out in a "reasonable and ethical" way. We must not one-sidedly strive for "high speed" increase of financial revenue by disregarding the people's living conditions. Setting "high targets," "launching satellites" and, in some places, "selling trees by pointing at the mountain" and "selling fish by point at the sea" as well

as the "high procurement" during the "Great Leap Forward" outwardly showed "leap after leap" in government revenue, although it was only a false appearance. Finally, the revenues dropped. We must not one-sidedly stress the financial needs of the state and ignore the interests of the localities, enterprises and individual workers and staff members by taking away everything and leaving nothing for the localities and the enterprises. In this way, financial revenues may seem to increase very rapidly. However the localities and enterprises, having no financial resources of their own had to rely on the state for everything. As a result, the state cannot be well-off financially. To arouse enthusiasm in increasing income and curtailing expenses, it is entirely necessary to give the localities and enterprises certain economic power and benefits. In this way, the ratio of funds for unified state allocation in the national income now may be a little less, but the result would be even better for the state because the absolute amount of state revenues cannot be reduced for the reason that with their own financial resources, the localities and enterprises can strengthen the reserve forces of state revenue and help arouse enthusiasm in various quarters to enliven the economy.

II

Enterprise profits are the main source of state revenue. To open up financial resources and to increase income, we must first arouse the enthusiasm of enterprises to increase both production and income. Under the socialist system, the social products created by the workers of enterprises, after compensating the consumption of materials in the course of production, become national incomes which can be used for distribution. Financial revenue is that portion of national income collected by the state from the first distribution to be used for redistribution. From the national income created by the enterprises, the share of workers and staff members, the share of the state and the share to be retained by the enterprises have formed the relations of distribution. Constant and conscious adjustments of the relations of distribution according to the level of national economic development can play an important role in arousing the enthusiasm of the enterprises and the workers in promoting the development of productive forces.

For a long time, the state has handled all revenues and expenditures of enterprises owned by the whole people in a unified way, whereby, the entire amount of profits has to be handed over to the state which, in turn, pays all the expenses and makes up all the losses. The main defect of this system is that it does not embody the principle of socialist material benefits, and deprives the enterprises of their innate economic motive force. Instead of helping in fully arousing the enthusiasm of the enterprises and their workers and staff members in increasing production, practicing economy and creating more profits, this adversely affects the development of social productive forces and the increase of national revenue. In a socialist society, correct application of the principle of material benefits is the basic starting point in formulating financial policies and rationally adjusting the relations of distribution between the state and the enterprises. In handling the

relations of distribution between the state and the enterprises according to the principle of material benefits, the enterprises should have the right to participate in the distribution of the national income created by themselves and their workers and staff members, and thus obtain the due portion for their self-development. Furthermore, the amount of material benefits for the enterprises should correspond to the result of their production and to their contribution to the state. This will encourage the enterprises in striving to achieve maximum economic results with minimum consumption of materials.

Socialist enterprises are relatively independently commodity producers based on the system of public ownership of the means of production. Expansion of their decision-making power as guided by state plans will guarantee their economic benefits commensurate with their independent economic position and enable them to become economic cells full of vitality, to dynamically develop production and to continue to create more social wealth. The expansion of enterprises' financial power is the core of the expansion of the decision-making power for enterprises. The possession of a certain amount of fairly stable standby financial power through a rational readjustment of the relations of distribution between the state and the enterprises will enable the enterprises to use part of their business revenue to pay their own expenses and to carry out expanded reproduction, and encourage them to tap their own potentials, transform their equipment and speed up the development of their production all through their own efforts.

In the experiment of expansion of decision-making power for the enterprises, Sichuan Province has directly linked the drawing of enterprise funds and awarding bonus for the workers and staff members with the economic results of the enterprises' business management. At the same time, the portion of depreciation fund left with the enterprises on their fixed assets was appropriately increased, and the economic power, economic responsibility, economic results and economic benefits were all taken into consideration, thus ending the long-standing practice of all revenues and expenditures being handled by the state in a unified way and "eating out of the same pot." Despite certain imperfection in the specific regulations, this is a correct orientation, and the results are obvious. Many experimental enterprises are now actively striving for a balance of supply, production and marketing, taking the initiative of "looking for rice to cook their own meals," in order to increase production, boost sales and gain greater profits. Some enterprises are conscientiously practicing economic accounting, strengthening quality control and striving to lower their material consumption and to raise their profit level. According to preliminary statistics from 84 local experimental industrial enterprises, the rate of increase in the total output value, actual profits, and profits handed to the state in 1979 all surpassed the average rate of all other local industries in the province, as shown in the following table.

	Increased Rates of Total Output Value (%)	Increased Rate of Profits (%)	Increased Rates of Profits Handed Over (%)
84 Experimental Enterprises	14.69	33.02	18.97
Local Industries in Province	11.68	26.13	14.16
Difference between the above	3.01	6.89	4.81

The increase rate of commodity sales, total profits and profits handed over to the state among the experimental commercial enterprises are also higher than those of nonexperimental enterprises throughout the province (food companies not included) as shown in the following table:

	Increased Rates of Commodity Sales (%)	Increased Rates of Profits (%)	Increased Rates of Profits Handed to State (%)
Experimental Enterprises	22.97	41.22	34.29
Provincial Average	16.58	34.53	29.58
Difference between the above	6.39	6.69	4.71

The increased profits of experimental enterprises in 1979, viewed in the light of distribution between the state and the enterprises shows that the state gained more, and the enterprises retained more than before, but the state's gains were larger than the portions retained by the enterprises. The increased profits of the 84 local industrial experimental enterprises were 156.91 million yuan, of which the state gained 96.91 million yuan, or 61.76 percent, while the enterprises retained 60 million yuan or 38.24 percent. The increased profits of commercial experimental enterprises were 7.25 million yuan, of which the state gained 5.19 million yuan, or 71.59 percent, and the enterprise retained 2.06 million yuan, or 28.41 percent. With their greatly increased funds, the enterprises were able to do more not only in tapping potentials, transforming their equipment and expanding their production, but also in improving the collective welfare and increasing the incomes of the workers and staff members.

The nonexperimental enterprises should also strive to follow the economic laws and the relations of distribution between them and the state should also be rationally adjusted. For the enterprises running at a profit, the method of profit-sharing should be gradually popularized, and the ratio of sharing should vary according to concrete conditions in different trades. This will encourage the enterprises to increase their output as well as their income, and thus increase their material benefits. For those running at a loss, a contract system was introduced permitting losses up to a fixed or planned amount, and providing the sharing of benefits from reduced losses. However,

problems caused by losses above the fixed amount have to be solved by the localities or the enterprises themselves. All these methods have been quite effective. In the past several years, business losses of food companies throughout the province sharply increased. In 1977, the amount of loss was 93 million yuan. In 1978, the system of responsibility for excessive losses and of sharing benefits from reduced losses was adopted and the enthusiasm of food companies at various levels to improve their management soared. In the same year, the sale of pigs increased by 40 percent over the preceding year, and the loss was reduced by 29 percent. The average loss on each pig was reduced from 9.06 yuan to 4.57 yuan. The same system was continued in 1979, and further aroused the enterprises' enthusiasm, and before the prices of meat were raised, they had already turned their loss into a profit of 18.79 million yuan. With the money earned from the reduced losses under the contract in the past 2 years, the localities have built 63 cold storage chambers with a total storage capacity of 35,700 tons, or more than 60 percent of the original capacity of the whole province. By the end of 1979, 21 of them were completed and in operation, and have played an important role in reducing feeding and transportation expenses and damage from the loss of weight and deaths of pigs, and in developing pig-rearing. The expenditure level of food companies in the province dropped from 11.87 percent in 1977 to 7.23 percent in 1979, and the expenses incurred in the transaction on each pig dropped from 8.02 yuan in 1977 to 5.60 yuan.

Practice has shown that in broadening financial resources and increasing income, pure reliance on administrative means--such as holding rallies, issuing calls and setting targets--is impractical, and that assistance in the solution of concrete problems of production, supply and marketing with stop-gap measures can be of only limited value. In adopting either administrative or economic measures, we must observe economic laws. In carrying policies, we must rationally readjust the relations of distribution between the state and the enterprises, and, with the guarantee of a major share for the state as a prerequisite, we should suitably expand the enterprises' financial power, before we can fully arouse their activism, further develop the productive forces, and broaden the financial resources and increase government revenue on such a basis. Some policies and measures may reduce the income in the short run, if we will take only a partial view of them. However, in the long run and for the overall situation, they should help in economic development and the increase of financial resources which will ultimately bring about an increase of government revenues. Similarly, in readjusting the relations of distribution between the state and the enterprises, the state seems to be handing out a portion of its revenues to the enterprises. However, since this will arouse the enthusiasm of the enterprises in increasing production and income and in promoting the growth of social wealth and national income, "the ship will rise in high tide," and the growth of social wealth and national income will not only make up what the state has handed out, but also increase the state's financial accumulation on the original basis. As the old saying goes, "we have to give first and take later." One step backward is taken only for taking two steps forward.

Gradual readjustment of the relations of distribution between the state, the enterprises and the workers and staff members; smashing the old system of state handling of all revenues and expenditures in a unified way; and restoring the position of socialist enterprises as relatively independent commodity producers--this is the correct orientation which cannot be shaken. However, before the all-round restructuring of the eocnomic management system, and in view of the financial difficulties of the state, the speed of restructuring must be considered in the light of overall financial balance and a comprehensive arrangement, and be set within the limits permitted by the state's financial resources. If we disregard the overall financial balance and one-sidedly expand the enterprises' financial power, the required investments on key construction projects cannot be guaranteed and, furthermore, there may be a new imbalance in our national economy. At the same time, this reform should also be based on the consideration of the orientation of the major change of the economic system in the future, so that, instead of obstructing, it will help promote the funamental economic restructuring. While stressing the need for material benefits and the use of profit as an important lever in economic activities and as a yardstick on business results, we should at the same time strengthen ideological and political work so as to help the workers form their overall viewpoint and policy concept and foster their spirit of dedication to the four modernizations. In this way, we will help them organize and develop production in the direction of the socialist goal and according to party principles and policies. With their expanded decision-making power as a driving force, the enterprises should direct their efforts in the practice of overall economic accounting, in the improvement of business management, and in broadening the sources of income and cutting down expenditures, instead of one-sidedly stressing the need for the benefits of the enterprises and their workers and staff members and forgetting the need for the state to get more from their increased production and income. While broadening their financial resources, the enterprises should also "make money by ethical means." The portion of retained profits should be "obtained reasonably and used suitably." The "divide all and use all" practice of diverting these funds to the extention of their capital construction front and to the indiscriminate distribution of bonus must be particularly guarded against. After eliminating the system of unified handling of revenues by the state, the method of ending the system of unified handling of expenditures by the state should be duly studied. Every right must be accompanied by responsibility, and the enterprises must not take away a portion with one hand, and stretch out the other hand for something else from the state. Any expense that should be paid out of the retained funds should not be charged to the state or passed to other enterprises. Nor should it add to the burden of the broad masses.

III

Economic results must be stressed in broadening financial resources. In the past, when people had only the vaguest idea of economic results, there were many instances of consumption being higher than production, investments being larger than outputs and business proceeds not being enough to cover losses.

These lessons must be remembered. In broadening the financial resources, we must conscientiously implement the policy of readjustment, restructuring, consolidation and improvement, begin with a study of the condition of productive forces, and then choose the most effective method according to local special features.

We must begin with the tapping of potentials, and the renovation and transformation of their equipment among the existing enterprises. We must not think of building new plants at the very mention of broadening financial resources and increasing income. According to an analysis of data over the past years, the increased production capacity as a result of tapping potentials, and renovation and transformation among the existing enterprises means a saving of two-thirds of the funds and more than one-half of the materials required for a newly built project. Furthermore, the commissioning is much earlier, meaning that half of the effort can yield twice the result. At present, Sichuan Province has a fairly solid foundation of industry, and the amount of its fixed assets ranks second among all the provinces, municipalities and autonomous regions of the country. However, because of its low equipment utilization rate, its production capacity cannot be given full play, and its actual total industrial output value ranks fifth among all the provinces, municipalities and autonomous regions. The profit level of the enterprises is even way below the national average. According to statistics on the utilization of the 10 principal types of equipment in five industrial departments, namely, metallurgy, electric power, machinery, construction materials and textile, the utilization of six of them are below national level. The lack of auxiliary projects and coordination among different trades inside the trades and inside the enterprises is quite obvious. In metallurgy, the rolling capacity is higher than that of steel smelting, that of steel smelthing higher than that of iron smelting, and that of iron smelting higher than the "inversed pyramid" of the mines. In the textile industry, the two ends (weaving and dyeing capacities) are small and the middle (knitting capacity) is large, and this has an adverse effect on the development of production capacity and the rise of labor productivity. In 1978, the labor productivity of workers of all industrial enterprises in the province was lower than the national average by 32.5 percent, and the profits derived from every 100 yuan's worth of total output value is lower than the national average by 11 percent. To develop the potentials of the existing enterprises, the allocation of funds for production and construction should be in this order: "production first, capital construction later" and "tapping potentials first, new construction later." Priority for tapping potentials and transformation should be insured. In 1979, Chongqing Municipality first helped light industry, textile industry and the chemical industry solve the financial problems in developing production with remarkable success. Through a loan of 18 million yuan, the problem of funds for more than 120 projects was solved. After the completion and commissioning of these projects, it is estimated that the output value will be increased by more than 140 million yuan, and the taxable profits will be increased by more than 30 million yuan. In 1979, the province rebuilt five sugar refineries, each capable of pressing 500 tons of sugarcanes daily, by spending a total of 17 million yuan in the form of both

government allocations and bank loans. In only 4 months, the pressing capacity was doubled; in other words, one refinery became two. During the pressing season of the same year, the output of sugar was increased by 10,000 tons, and tax increased by more than 4 million yuan. If five refineries of the same capacity were newly built, it would have costed not only an investment of 40 million yuan but also 3 years time. In order that the funds used on tapping potentials and transformation will produce the desired effects, we should solve the problem of the large number of technical projects, the over-extended front, and the delay of commissioning, and particularly guard against any large-scale diversion of funds to capital construction. While the scope of capital construction is being drastically reduced during the period of economic readjustment, we can still maintain the fairly rapid growth of industrial productions and government revenue as long as the work of tapping potentials, renovation and transformation is carefully attended to and the potentials of some 40,000 industrial enterprises in the province are fully tapped. The defense industry, in particular, has a fairly solid material foundation as well as a strong technical force. If the surplus production capacity is fully utilized under the principle of combination of peace and war industries, it will be possible to greatly increase the production of industrial goods now in short supply, and particularly the durable consumer goods, for the domestic market and for export in order to increase state revenue.

We should pay particular attention to the key projects when we bring out our strong points into play. Sichuan has a large area and a large population with abundant natural wealth and a temperate climate. Always known as "the land of plenty," it has plains, small and large hills, plateaus and high mountains, all affording favorable conditions for a diversified economy. For many years, because of the one-sided stress on grain production, the cash crops were overlooked. While agriculture was one-sidedly stressed, forestry, animal husbandry, sideline occupation and fishery were ignored. Our attention was then only concentrated on the 100 million mu of farmland, but more than 700 million mu of mountainous and forestry areas, grassland, and water surface hardly received any notice. The natural resources were not fully utilized and labor potentials were not given full play, causing an adverse effect on the all-round development of agriculture and the rapid rise of agricultural labor productivity. The agricultural output (including agricultural, forestry, animal husbandry, sideline occupation and fishery outputs calculated at an invariable price) created by one agricultural worker was 324 yuan in 1957 and 355 yuan in 1978, a rise of only 3.04 percent. Calculated in terms of the net output value, the amount of 324 yuan would be reduced to 216, a decrease of 9.62 percent. Although agricultural production in the province has recovered and developed rapidly after the smashing of the "gang of four," the present levels of agricultural production and the commune members' income are still low. Particularly, the development of the cash crops is slow, and the production of cotton, peanuts, sesame and other main crops is still not back to their previous highest level. The output value of forestry, animal husbandry, sideline occupation and forestry, among the total agricultural output value is only 26.5 percent, and far below the 32.8 percent level of 1957. This not only affects the growth of the rural collective economy, the

income of the commune members and the increase of grain output but also restricts the processing industry which is depended on agricultural sideline production. The main goal of financial allocations in supporting agriculture, hereafter, should be the rapid and all-round development of agriculture in striving for agricultural modernization. Full play should be given to the local strong points, and the funds should be used selectively on the most promising projects. While continuing to support grain output, we should vigorously develop the diversified economy in order to supply more raw materials for the light and textile industries. For example, the annual output of cocoons in Sichuan has already reached 1.4 million dan, ranking first among all provinces, municipalities and autonomous regions. Since the communes and production brigades or teams in Sichuan plant mulberry trees in nooks and corners, along river banks and on waste slopes without intruding into the farmland, there should be no contradiction between grain and mulberry trees in the competition for land. Therefore, it is possible for us to plant mulberry trees and breed silkworms on a large-scale so as to develop our silk textile industry. The total number of pigs in our province is about 40 million, ranking first in the country. There are also 160 million mu of grassland and 50 million mu of grassy slopes suitable for raising cows, sheep and other grazing animals. These are the favorable conditions for developing the leather and straw industries. Sichuan's wine and medicinal herbs enjoy high reputation in the domestic and world markets, and have a promising future. Hydropower resources are also plentiful in the province, but the utilization rate is less than 1 percent. The water surface used for breeding aquatic products is only 38 percent of the total water surface; therefore, there are great potentials for hydro-electric power and fishery. Furthermore, there are 60 million mu of waste slopes which can be used for developing economic forestry. All these are local advantages and hereafter we should pay attention to the key items. Practice in some localities has already proved that developing diversified economy through full utilization of local advantages will yield not only quick but also good economic results.

The focus of our work should be the promotion of harmonious developments of various departments of the national economy. For a long time, the backwardness of our agriculture and light industry has been very obvious. There is also an imbalance of national economy because of an irrational structure. This should be gradually improved through readjustment. Only thus can we help in the effective utilization of manpower and material, financial and natural resources in the rational distribution of productive forces, in a coordinated development of agriculture, light industry and heavy industry, and in speeding up economic development. In agriculture, the allocation of funds on forestry, animal husbandry, sideline occupation, fishery and commune- production brigard-run enterprises should be proportionate so that all departments within the agricultural sector can be mutually supplementary in development, and the labor potentials can be given full play. Compared with heavy industry, light and textile industries require less investment, but yields more accumulation funds and quicker results. They provide a shortcut to the broadening of financial resources. According to an analysis on the data of relevent departments in our province, light and textile

industries require 2 years and 4 months to recover the investments in the form of fixed assets, while heavy industry requires 8 years and 4 months. However, because of the one-sided stress on "taking steel as the key link" in the past, light and textile industries in Sichuan have been rather backward. The ratio of light and textile industry in the industrial fixed assets in the province was 30.3 percent in 1957, 16.1 percent in 1965, and 12.4 percent in 1978. The average per capita output value in the light and textile industries of the province is lower than the national average by more than 30 percent. It is obvious that in broadening the financial resources, the focus of work should be directed to speeding up the development of light and textile industries. In allocating funds for capital construction, in tapping potentials and in renovation and transformation, as well as in extending loans for financing minor technical projects, priority should be given to the needs of light and textile industry. The light and textile industrial enterprises should have certain financial power so that they can promptly readjust the orientation and makeup of their products and add more designs and varieties according to the requirements of the state and the people. When the enterprises' technical projects, financed by loans in various forms, are commissioned, they should be allowed to use the increased profits, thus obtained, to redeem the loans before paying tax. Also some consideration should be given to the tax on new products.

We should strive for increased production through the practice of economy and the strengthening of management. Increasing production and practicing economy are equally important. We should increase our income as well as curtail our expenses. These are successful experiences as proved in many years' practice, but they are usually overlooked. At present, high consumption, huge waste and poor quality are quite common in production. Particularly because of the present shortage of energy resources and raw material supply, striving for increased production through the practice of economy should be of special significance. The potentials of conservation are also the potentials of increasing production. The principle of supplying fuel, power, and raw materials to the most deserving units should be firmly upheld, so that those enterprises with low consumption can operate at full capacity to increase production. As to those enterprises whose consumption is too high and loss is serious, we should have the determination to suspend their operation pending consolidation. In this way, we will be able to use the same amount of raw materials and power to produce more goods, reduce state losses and increase state revenue. From the experiences of many enterprises, we can see that as long as the management is improved, it is possible to raise labor productivity and produce more and better goods even without increased investment, equipment or manpower. In coordination with the readjustment and consolidation of enterprises, we should adopt effective measures to resolutely overcome the practice of consumption without fixed limit, examination with any criterion, management without a system, frugality without being rewarded and wastefulness without being punished. We should set up a system of job responsibility and rational standards of consumption, enforce economic accounting and the analysis of economic activities, and strengthen the inspection system. Those who practice economy should be rewarded and those who are wasteful should bear the economic responsibility.

At the same time, we should practice all-round quality control, strive to keep our technology up-to-date and to bring up a new generation of goods, strengthen the competitive power of products and the vitality of the enterprises, and insure a sustained increase of production and income.

The problem of broadening the sources of income is a sweeping and complex one, but it must be solved. Our finance and economic workers must uphold the Marxist theories of knowledge and of practice as the sole criterion for testing truth; be good at summing up past experiences, both positive and negative; continue to study the features of modern socialist mass production and strive to master the law of its development in order that our ideology and work can closely keep pace with and suit the developing situation. In this way, we will be able to make due contributions to the acceleration of the four modernizations.

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NATIONAL ECONOMIC POLICY

ROLE OF LOCAL PLANNING IN NATIONAL ECONOMY EXPLAINED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 80 pp 33-36

[Article by Zuo Mu [0146 3668]: "On the Role of Local Planning and the Relations Between Plans and Markets"]

[Text] Guided by the spirit of the Third Plenum of the Party, all localities have for more than one year summed up their experiences of cooperation in outside-the-plan projects and in recognizing the regulative role of the market. Economic work is now more flexible than it was before. As shown by actual conditions, a greater regulative role of the market will be accompanied by a greater role of local planning (here and hereinafter meaning the planning of counties and municipalities affiliated to provinces). Thus if we can clearly recognize the significance of local planning, consciously bring the supplementary role of local planning into play, and well handle the relationship between state planning (which includes provincial planning according to the present system) and local planning, then economic work will become even more flexible and the market will play its regulative role even more effectively. Now, let me explain the theory behind the question.

I. The Role of Local Planning Has Become More Prominent Along with the Strengthening of the Market's Regulative Role

Since the second half of 1979, planned products have entered the market in increasing numbers, and many outside-the-plan products are being supported by planned raw materials and fuel. There is now a criss-crossing of planned and outside-the-plan forms of production which are closely interrelated. The so-called "outside-the-plan" production embodies the roles of both the market and the local planning. Under this circumstance, it is very difficult to classify economic activities as simply "inside the plan" or "outside the plan" in the customary way. For example:

(1) Production inside the plan but circulation outside the plan. In early 1980, a commodity fair was held in Nanjing with the representatives of 29 provinces, municipalities and autonomous regions attending. The total

volume of free transactions reached 120 million yuans in value. Of the commodities transacted, 75 percent were trucks, steel products and various types of means of production, and are mostly planned products. In the fair, however, their circulation was outside the plan. More than 40 similar fairs have been held in various parts of Jiangsu since June 1979, and the volumes of free transactions on planned products in these fairs were fairly large. On the other hand, the supply and marketing of the outside-the-plan products of many commune- and production brigade-run enterprises were wholly, or partly handled as planned products. For example, some 1,500 pairs of leather shoes were produced annually by the commune-run industry in the four prefectures of Northern Jiangsu. Part of the raw materials were planned, but all the processing was outside the plan. The marketing of these shoes were almost entirely undertaken by state commerce and, therefore, included in the planned circulation of commodities.

(2) Half inside the plan and half outside the plan. Trucks are produced according to state planning. However, because there was not enough tung oil, the plants had to exchange some of their above-quota trucks for above quota tung oil in some tung oil producing area. The tung oil thus obtained was outside the plan, but the tung oil they bought was used on the planned production of trucks. Again, soap was used to exchange for resin required for soap-making; and lathes were used to exchange for pig iron required for the reproduction of lathes; and so forth. All these exchanges are outside the plan but are necessary for the completion of the planned tasks.

(3) Inside the plan in one aspect and outside the plan in another. In Wuxi and other areas, many enterprises have utilized their facilities for processing materials from customers after fulfilling the state plan. This type of processing is outside the plan for the enterprises, but inside the plan for the customers. The garment department of Qidong County established direct contacts with the large department stores in Bijing, Shanghai and other large cities, and have processed their materials for about 600,000 garments. This business is outside the plan for Qidong County, but inside the plan for Beijing, Shanghai and the other cities. Again, some rural communes and production brigades in Jiangsu have processed some spare parts and accessories of oil production equipment for the Daqing Oilfield. For Daqing, this is inside the plan, but for the local communes and production brigades, it is outside the plan.

(4) First outside the plan and later inside the plan. Such conditions are more frequent in the machinery trade. In recent years, because of the reduced scale of capital construction, state assignments for the machinery departments have also been reduced, and the production capacity of these departments was more than what they needed for the fulfillment of state plans. Some enterprises, therefore, undertook the processing of customers' materials while others produced and sold their own goods. After finding their way into the market, many of these goods were included in the state plan. In other words, the state supplied the raw and the semi-finished materials and sold the products for them. This is the way with Jiangsu this year, and there

are, among others, 60,000 sets of electric appliances for daily use produced, mainly including electric fans, refrigerators and laundry machines.

The several conditions mentioned above will undergo new developments when the market becomes more brisk.

Now, let us conduct a concrete analysis on the above facts. Both the first and the second conditions--namely, production inside the plan and circulation outside the plan and half inside the plan and half outside the plan--are typical examples of the combination of planned regulation and market regulation. These methods have played useful roles in enlivening the economy. Although the third and the fourth conditions--namely, inside the plan in one aspect and outside the plan in another, and first outside the plan and later inside the plan--embody the role of the market, there is in these conditions a certain kind of lever playing the regulative role. This lever has so far neither been understood nor recognized by us. It is local planning. Although the abovementioned economic activities are not included in the state plans, they are by no means unplanned. When some municipalities, affiliated to the provinces, are engaged in the processing of customer's materials, coordination in the supply of fuel, power and part of the raw and semi-finished materials, the allocation of manpower and equipment for production, the setting of indexes for output value and profits, and so forth, are all included in a local supplementary plan in order that an overall balance can be worked out by the local authorities. Therefore, in addition to the market, the state plan, the local supplementary plans and other factors also play their roles. Recently, along with the development of the regulative role of the market, the elements of market and local planning have played an ever-increasing role in breaking the exclusive control of state plans. From the market activities cited above, we can see the actual existence of two or three types of activism: first, state activism (as expressed in the plans of the state, the provinces and the departments concerned); second, local activism (as expressed in the local supplementary plans and the business activities of the cooperating staff offices, the material services companies, the production and marketing management departments, the retailing departments and similar organizations); and third, the enterprises' activism (as expressed in the activities of the enterprises in looking for materials to "feed" their machinery, in producing and selling their own goods, in organizing themselves for processing customers' materials and so forth). If combination is required, it means the combination of these three types of activism instead of the combination of the plans and the markets. Therefore, while trying to do our economic work more effectively and flexibly, and to handle the relationship between plans and markets more efficiently, we should also discover the problems within the system of planned management and to properly handle the relationship between state planning and local planning.

II. Problems Within the System of Planned Management Itself Must be Noted

Up to now, planned regulation and market regulation are regarded as two different forms of economic activities, while local planning is arbitrarily included in market planning. This is unscientific. To clarify this question, we must first make some comparisons on the question of relationship between plans and markets.

At its present stage, our socialist national economy is basically in the form of commodity economy. Commodity production of any type, as long as it is related to modern mass production, objectively requires planning to a certain extent. The system of socialist public ownership has met this requirement. Ours is both commodity economy and planned economy. Since it is commodity economy, there is the market. The so-called market regulation in fact refers to a type of role played by the market on the entire commodity production instead of only a part of it. Similarly, planned regulation also refers to a type of role played by the planning on the entire commodity economy instead of only a part of it. What is the purpose of economic plan? The main purpoces of the plans are the production and circulation of commodities. For a specific economic department, plans and markets play the principal and the subordinate roles. Both are related to the whole sphere of economic activities instead of playing separate roles in entirely unrelated segments. In the past, we had the mistaken idea that the means of production exchanged among state-run enterprises were not commodities, because such exchanges could only be considered as planned transfers or planned distributions, and the use of the market mechanism for free circulation was not permitted. Moreover, the consumers could not see the samples before making their choice or bargain over the price on the basis of the quality. As a result, many purchased items were mismatched. This was the trouble caused by the separation between planned economy and the market. After paying a lot of "school fees," many comrades have realized that plans are only the outcome of people's subjective will, and that whether or not a plan conforms to reality should be tested in the activities of commodity exchange in the market. In this sense, we may say that markets are the foundation of plans and that plans provide guidance for the market. If our economy is divided into two major portions regulated by plans and markets respectively, so that, as it is claimed, the portion under market regulation should amount to 10 percent, 20 percent or 30 percent, it will be a reflection of the long standing separation between plans and markets. This is an arbitrary view and will lead to difficulties for the statistics department. Today, such a view must be corrected.

Some comrades actually regard market regulation as an economic signboard, probably because it shows the initiative and activism of localities and enterprises. However, local initiative and activities are concentrated on and shown by local planning. In the past, the scope of control by our state planning was actually too broad. Too many varieties of products were controlled by the central government, the central departments and the provinces; the targets were too meticulous; and the control was too rigid. Since products ranging from equipment weighing tens of tons to screws of

2.5 millimeter were controlled by these authorities, no room was left for the localities to develop their activism, and the development of productive forces was restricted. It was precisely this type of highly centralized economic planning system that ruined our economic work. To end this situation, the localities are now looking for ways and means to break down the restrictions imposed by state planning. They are now organizing their raw and semi-finished materials, undertaking their own processing and even selling their own products in the open market. Since these products are not included in state plans and local planning is not recognized as planning, local industry has to develop through the medium of markets. In the current year, locally planned industrial production in Wuxi Municipality has amounted to 31 percent of the total industrial production, and 2.5 percent of this portion was directly planned by the municipal planning committee. In Wuxi County, more than 70 percent of the total annual industrial production was locally planned and 19 percent of this portion was directly planned by the county planning committee. Unfortunately, up to now, local planning is still unrecognized and even the localities themselves do not think it is any type of planning, but rather a part of market regulation. There is among them some trace of lackey mentality, because lackeys are so accustomed to standing that they would refuse to sit down even though they are offered chairs. Since local planning is not recognized as planning, and neither its coordination with state plan nor its role in attaining a local overall balance has received due attention, the localities are now faced with many difficulties. At the same time, the demand on the localities has also been relaxed and as a result, the contracts worked out by some localities conflict with state plans, and such conflicts led to duplications and waste in production and capital construction which could have otherwise been avoided or reduced.

III. Views on Improving the System of Planned Control

Based on the above analysis, I feel that some action is necessary on the planning system itself so that local planning will be recognized as a form of planning. This is particularly necessary when collectively owned enterprises and other small enterprises are daily increasing. Based on their own financial resources and the market demands, the local planning organs should work out a comprehensive arrangement for the use of funds, labor power, raw materials and energy resources in setting part of their own production tasks, and to actively provide planned guidance for an overall balance for the local economic activities. The present practice of treating local planning as a matter of relaying instructions among different levels is incorrect. This situation must be terminated.

The present highly centralized system of planning should be changed to a system of controlled planning at various levels. If our planned economy is likened to a melon, then it should be divided into the following portions: First, the state (including various central departments) plan; second, the provincial, municipal and autonomous regional (including the affiliated departments) plan; and third, the supplementary plans of the municipalities

(affiliated to provinces and autonomous regions) and counties. In addition, the enterprises, after completing the plans of the state and the higher authorities, should be encouraged to set their own outside-the-plan production and circulation tasks according to market demands.

The state plan is like the lead rope. The state should have long-range plans in defining the orientation and scope of development of the entire national economy and in determining various basic ratios. At the same time, it should have annual plans to bring about an overall balance of the national economy. Planned targets should not be based on products in full or excessive supply. The view that a positive balance must be based on the long line is erroneous. Rational planning should maintain a balance of the basic ratios. Should there be any shortage of raw and semi-finished materials of secondary importance, the "lubricating role" of the market can be used as a means of adjusting the surplus and the deficit, and the supplementary role of local planning can also be used to fill any gaps. In another respect, it is also necessary for the plan to leave certain leeway to help the localities work out an overall balance. For example, the printing and dyeing trade of Changzhou Municipality undertook the processing of customers' materials, which came under the category of the "regulative role of the market" although, in fact, it was arranged in "local planning." However, this year, it happened to be short of several hundred tons of soap, and urgently needed help through arrangements included in the state plan. Will the plan consider this request? Certainly yes, and in fact, it is considering. In such and similar problems involving material and energy supplies which are not easy for the localities to solve, state and provincial plans should provide every possible assistance. After all, state plan and the plans at various levels should be mutually supplementary and well coordinated. This is necessary for giving full play to the leading role of the state plan.

Local planning should be subordinated to state planning and should guarantee the fulfillment of state plans. Generally speaking, however, the scope of planning at the lower levels is broader than that of state planning which is of a mandatory nature. Besides, planning at the lower levels can be more meticulous and flexible. Besides striving for an overall balance, local planning should also try to bring about a harmonious all-round relationship. At present, in some municipalities affiliated to provinces, such matters as financial outlay and medium- or short-term loans are controlled by the finance departments; small loans are handled by banks; and industrial production is arranged by the economic committees and the bureaus in charge. In short, all activities are centrally controlled through different chains of command with little left to help the local authorities work out an overall balance in local planning. Furthermore, it is difficult to guarantee a good coordination between local and state planning. There should be a closer coordination between local planning and the market in order that the market mechanism can be better utilized to give broader scope to the local strong points and to adjust the surplus and deficits through commodity circulation. Then through cooperation in the production of complete sets of equipment, the local "fist" products will appear and find their way to the

market. If the overall balance is worked out in isolation from the market, it will naturally lead to the forming of a self-contained economic system. This possibility must be noted in working out local plans.

Enterprises are different from local authorities. From the social point of view, enterprises are independent commodity producers. In social contacts, they are only buyers or sellers, and in either capacity, their economic activities outside the plans of different levels are basically through the market. But it cannot be said that, just because of this, these independent business activities of the enterprises are only part of the market regulation, because, aside from the market's regulative role, the state and the localities can also provide direct or indirect planned guidance for enterprises through the allocation of energy resources, labor index taxation, credit and other economic levers. Any enterprises failing to note this point may act blindly in its independent business operation.

What has been mentioned above does not envisage any drastic change in the system of planning. It is rather a proposal for minor adjustments based on realities. Its purpose is to improve the planning system along with the strengthening of the regulative role of the market, and then through this improvement and the strengthening of local planning, to further enliven the market. What is discussed here is about industrial planning, but its basic spirit is applicable to agriculture as well as other fields. In collaboration with the above vision, we should make higher and more comprehensive demands on economic work mainly on the following points:

1. Implementation of the principle of combining plans with markets. Production and circulation included in the plans should be regulated and supplemented by the application of market mechanism, while market activities should rely on planned guidance in order to reduce the likelihood of acting blindly. The half inside-the-plan and half outside-the-plan and similar activities indicate a good coordination of plans and markets, and should be encouraged.

2. Implement the principle of combining state planning with local planning. The present ratio of local supplementary planning should be raised. This raise should indicate that the local activism and initiative are developing well.

3. The combination of planned control and the enterprises' independent business operation. Hereafter, the independent business activities of enterprises that are outside the plans of the state and the higher authorities should be further increased, since this will indicate that the activism and initiative of the enterprises are developing well.

Finally, I feel that statistical work should be correspondingly revised so that there will be independent statistics for the products and output value of productions carried out under local planning. These statistics will show the results of decentralized authority in economic work as well as the

flexible nature of this work. There should also be independent statistics for the products and output value of enterprises in their independent business operation that is outside the plans of the state and the higher authorities. These statistics will show how the enterprises have exercised their independence and how flexible is economic work. Statistics for half inside-the-plan and half outside-the-plan production, the production of state planned products with raw and semi-finished materials coming from the locality in the form of cooperation, and the production of local products with the raw and semi-finished materials originally intended for state-planned products, should be worked out separately, to show the regulative role of the market in its original sense. If all the economic activities not included in state plans are simply lumped together as "market regulation," what a mess will it be!

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NATIONAL ECONOMIC POLICY

ADVANTAGES OF JOINT AGRICULTURAL, INDUSTRIAL, COMMERCIAL ENTERPRISES

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 80 pp 42-47

[Article by Wang Songpei [1369 2646 7198]: "On China's Joint Agricultural, Industrial and Commercial Enterprises"]

[Text] Since the 1950's, some advanced agricultural countries in the world have gradually developed a new organizational form of production featured by the combination of agricultural, industrial and commercial activities. Despite the different names used in different countries, such as agricultural company, agricultural enterprise, joint agricultural and industrial enterprise, joint agricultural and industrial company, agriculture-industry complex and so forth, they all have one feature in common, that is, within each enterprise, agricultural production, processing and marketing agricultural products are organically combined to form a single body (in our country, it is symbolically called a "dragon" of agriculture, industry and commerce). This organizational form of production has extensively developed since the 1960's in many advanced agricultural countries. Some countries regard this as a basic organizational form, and have popularized them in the countryside throughout the country. Our country is now trying out this type of enterprises among the state farms in some areas and among some rural people's communes. Joint agricultural, industrial and commercial enterprise is now the vogue throughout the world.

The experiment of agricultural, industrial and commercial enterprises is an innovation in our country. It has attracted the attention of our economic workers and economic theorists and raised a series of problems which must be solved. For example, is it necessary for our country to form joint agricultural, industrial and commercial enterprises at present? What advantages can be derived from these joint enterprises? How will these enterprises be run in the light of our national characteristics? What changes in economic relations will they bring about? This and so forth. All these questions should be discussed theoretically on the basis of actual conditions in our country. This article will present some views on the questions concerned.

I. Combination of Agriculture, Industry and Commerce Is the Inevitable Trend of our Agricultural Development

The joint agricultural, industrial and commercial enterprise is a new organizational and administrative form of modern agricultural economy. It was the outcome of modern agricultural production and has developed along with the progress of modern agricultural production. Its appearance is in response to an objective demand from the development of agricultural productive forces.

In the early stage of human society, when productive forces were backward while agriculture and handicraft were primitive, all agricultural sideline occupations, such as weaving and knitting were closely combined on a foundation of family self-sufficiency economy. With the continued development of the productive forces, particularly the large-scale development of capitalist productive forces, and on the basis of the rapidly rising agricultural labor productivity, agriculture and industry became completely divided and both of them are now independent important material production departments in the national economy. Marx pointed out: "Capitalist production completely tears asunder the old bond of union which held together agriculture and manufacture in their infancy."[1] However, the development of modern productive forces, while disrupting this type of primitive relationship, has also gradually paved the way for the formation of a new and higher form of combination. Thus Marx added: "But at the same time, it creates the material conditions for a higher synthesis in the future, namely, the union of agriculture and industry on the basis of the more perfected forms they have each acquired during their temporary separation."[2] The joint agricultural, industrial and commercial enterprise is that form of "high synthesis" on the basis of agriculture and industrial development.

In the 1950's and 1960's, advanced agricultural countries of the world have gradually realized the modernization of agricultural production. The level of agricultural mechanization now continues to rise, and advanced technical measures of agronomy are extensively adopted. The production of some items has become more and more industrialized under the automatic system. On such a basis, agricultural produciton continues to develop in the direction of specialized mass production. The commercialization and socialization of agriculture are also continuing. The specialization of agricultural production (or the development of the division of work) in turn demands closer cooperation and coordination among various departments in carrying out agricultural production, and specialized farms are increasingly relying on the industrial and commercial departments for the supply of various means of production and services. The processing industry needs a steady source of supply of agricultural raw materials of the correct specifications, while both agriculture and the processing industry for agricultural products need a broad avenue for the sale of their products at a certain price level. This is an impetus for the development of agriculture along the line of an agricultural, industrial and commercial combination, and both "horizontal combinations" and "vertical combinations" of agricultural, industrial and commercial undertakings are now gradually taking shape.

The 1950's and 1960's was the time for agricultural modernization and the formation of joint agricultural, industrial and commercial enterprises in many advanced agricultural countries. The modernization of agricultural equipment, of agronomic techniques and of agricultural management are the three indispensable components of agricultural modernization. Production determines management, and management in turn has its countereffects on production. The modernization of agricultural production demands the organizational and administrative form of joint agricultural, industrial and commercial enterprises, while the development of such and organizational and administrative form also promotes the development of modernized agricultural production. They jointly form a technical and management system for modernized agricultural production and give an impetus to agricultural production in its rapid advance.

There have been different views on our experimentation on joint agricultural, industrial and commercial enterprises. For example, some comrades held that "farms should take care of farming. Their industrial and commercial activities means their departure from their own profession." Others held that "joint agricultural, industrial and commercial enterprises are the result of foreign experiences which are not suitable for China." Still others held that "with our present low production level, we are not yet in a position to run joint enterprises." This and so forth. I feel that all these views deserve discussion. First, joint agricultural, industrial and commercial enterprises are built on the foundation of specialization and socialization of agriculture and of the development of commodity production. They are the outcome of the development of agricultural economy of a commodity nature, and the trend of modern agricultural development. Since our country's agriculture also belongs to the commodity economy, joint agricultural, industrial and commercial represents the trend of the development of our modern agriculture. At present, the levels of our agricultural specialization and commodity production are still low. However, after eliminating the interference from the ultra-leftist line pushed by the "gang of four," we have the conditions for further developing production. In some areas, a certain amount of agricultural products have become commodities, and conditions there are ripe for the experimentation of joint agricultural, industrial and commercial enterprises. In implementing the two documents of the Party Central Committee on agricultural development, we consciously carried out the policy of "taking grain as the key link, insuring an all-round development, and working out measures suitable to local conditions for an appropriate concentration of efforts" and set up solid bases for the production of agricultural commodities. In due course of time, there should be a fairly large-scale development in the specialization of our agriculture and the production of agricultural commodities. We should earnestly try to understand objective economic laws, and carry out experiments on joing agricultural, industrial and commercial enterprises. Secondly, socialist-plannned economy calls for planned and proportionate distribution, organized labor, and conscious efforts in the full utilization of agricultural manpower, materials and natural resources. Since agricultural labor power is of a seasonal nature, we have made full use of rural labor power for developing joint agricultural, industrial and commercial enterprises and for processing and selling agricultural

sideline products in order to create more wealth. Agricultural sideline products have the characteristics of being low in value, easily perishable, and large in quantity. Therefore, processing facilities have to be set up near the source of raw materials so that they can be processed promptly and locally. The establishment of joint agricultural, industrial and commercial enterprises will reduce the intermediate links of transportation and avoid losses and waste. Marx said: Time-saving and the planned allocation of labor time among different production departments is "the primary economic law of a society on a collective basis."[3] Frugality is an inherent necessity of socialist economy. Since the present level of specialization and socialization of agriculture in our country is low, it is also an impetus for the establishment and development of our joint agricultural, industrial and commercial enterprises.

II. The Important Role of Joint Agricultural, Industrial and Commercial Enterprises in our Socialist Construction

In the course of experiment of joint agricultural, industrial and commercial enterprises, some comrades held that the purpose of joint undertaking is only a redistribution of profits between industry and commerce. Therefore, they suggested that as long as investment in agriculture, is increased, the problem of agricultural development will be solved, and there should be no need for joint agricultrual, industrial and commercial enterprises. In fact, the role of joint agricultural, industrial and commercial enterprises in socialist economic construction is far more than that.

First, on the basis of promoting production and facilitating consumption, these enterprises can better satisfy people's requirement for agricultural production. From the experiments, we can see that the establishment of these joint enterprises has generally promoted the development of agricultural enterprises in the direction of specialization and mass production. At present, the experiment of joint agricultural, industrial and commercial enterprises among state farms mainly take three forms: First, the integration of various farm units within the agriculture-reclamation system; second, the integration of farms and other units outside the agriculture-reclamation system; and third, the integration of farms and communes. Regardless of the form taken, the scope of business operation has been greatly expanded. For example, the Chongqing Joint Agricultural, Industrial and Commercial Enterprise was formed of 26 state-run agricultural, herding, and fishery farms in the suburbs. Some units with similarly specialized production but operating on too small a scale also jointed together to form a "dragon" to produce milk, fruits and tea separately, to do processing jobs, and to sell their products. Their specialization was further raised. When joint agricultural, industrial and commercial enterprises have given greater scope to the strong points of specialization and mass production, it will be possible to more extensively concentrate the manpower and material and financial resources for the introduction of new technology, to carry out cooperation through division of work, and thus to raise labor productivity. With better utilization of manpower, materials and natural resources, it will also be possible to undertake some work, which formerly could not be undertaken, and to

further promote production. The General Company of Tianjin Municipal Joint State Farm Enterprise was established in February 1979. In the first half of the same year, its milk output reached an all time high, being 22.8 percent more than the corresponding period of 1978. An abundant supply to the market is now basically guaranteed. Furthermore, the sale of butter, condensed milk, fresh cream and other traditional products, suspended for 10 years, is now resumed, thus setting up a stronger material based for taking care of people's consumption. In serving consumption, these joint enterprises have strengthened the organic ties between agriculture, industry and commerce and thus helped promote the production, processing and selling agricultural products in a planned and coordinated way. At the same time, the integration of production, processing and marketing has reduced many intermediate links, which not only reduced expenses and possible damage, but also, through its highly sensitive reflection of market conditions and its flexibility, increase the adaptability of the products to the market. In this way, the agricultural sideline products will be more suitable to the market and can quickly find their way to the market to maintain the balance between supply and demand. Since they are fresh and of lower prices, market consumption will be better served. The establishment of joint enterprises in many places has led to increases in the varieties of vegetables. Furthermore, the appearance of fine quality goods and newly caught fish in the market is warmly welcomed by the consumers. Ours is a socialist country, and the basic goal of socialist production is to provide more and better industrial, agricultural and other products to satisfy the people's constantly growing demands in their material and cultural life. The establishment of joint agricultural, industrial and commercial enterprises, on the basis of promoting production, can better satisfy the requirements of the broad masses for agricultural sideline products in their daily life. This is the fundamental role of these joint enterprises, and how they have acquire their strong vitality.

Secondly, these joint enterprises can help in the accumulation of funds for the modernization of our agriculture. Modernization is the main way out for our agriculture. However, because of our weak economic foundation, the problem of funds for agricultural modernization is a big one. For agricultural modernization, the state naturally has to provide strong supports, such as by increasing investments in and extending loans for agriculture. Our country is large, but poor, and our present economic power is limited. Therefore, state investments alone is far, far insufficient for the solution of the problem of funds required for agricultural modernization. Agriculture itself must expand its own accumulation. But how can we increase the internal accumulation of agricultural enterprises. First, we have to tap the existing potentials, increase production and practice economy, and develop the all-round production of agriculture, forestry, animal husbandry, sideline production and fishery. But this is still not enough. According to the data of an experimental unit in agricultural modernization, agricultural mechanization alone calls for an investment of 200 yuan for every mu, and the annual accumulation capacity of each mu of farmland is only 5 or 6 yuan. Of course, multiple undertakings have to be vigorously developed and the way to accomplish agricultural mechanization deserves to be studied.

However, it would be extremely difficult to accumulate sufficient funds to fill this large gap by relying on the present economic structure of agricultural enterprises. The way is the reform of the rural economic structure and the management system by establishing joint agricultural, industrial and commercial enterprises, which will change the character of agriculture as only the supplier of raw materials. Also, through the coordination and cooperation of state industry and commerce, the processing and marketing of part of the agricultural sideline products can be undertaken by state farms, communes and production brigades, and part of the industrial and commercial profits are left with the countryside. After the establishment of the Chongqing Joint Agricultural, Industrial and Commercial Enterprise, a profit of 520,000 yuan was made from January to September 1979, an increase of 45.8 percent over the same period of 1978 when the integration of agriculture, industry and commerce had not been carried out. This increase of profit actually consisted of three portions: First, the advance return of the "scissor difference" between industrial and agricultural products; second, the additional value created through the activism of the farm workers and commune members after the restructuring to the rural economy; and third, the transfer of industrial and commercial accumulation to agriculture after the change of the management system. While there is hardly any doubt that the first two portions should go to agriculture, and the third and last portion is necessitated by the present weak agricultural foundation in our country. In addition to large amounts of construction funds, the state has supplied no small amounts of relief funds for agriculture every year. After establishing the joint agricultural, industrial and commercial enterprises, part of the industrial and commercial accumulated funds are transferred to agriculture to promote agricultural production. Thus instead of relief funds, they have become construction funds which are beneficial to agriculture as well as the entire national economy.

Thirdly, these joint enterprises are helpful in absorbing more surplus labor power in the countryside and in speeding up the industrialization of the countryside, which is an important component of the socialist industrialization of our country. The elimination of the differences between industry and agriculture, between urban and rural areas and between mental and manual labor is in line with the long-range plan to realize communism. At present, our agricultural foundation is very weak and must be greatly strengthened. In adopting any measure, we must have in mind our distant goal, and combine the gradual realization of rural industrialization with the gradual realization of agricultural modernization in order to gradually eliminate the three major differences.

Our social, natural and economic characteristics make it necessary for our country to take its own road in agricultural modernization and rural industrialization. The large amount of rural labor power saved from agricultural modernization should be rationally disposed of, while intensive and meticulous farming should be stepped up so as to raise the per-mu output. We should also vigorously develop a diversified economy of agriculture, forestry, animal husbandry, sideline occupation and fishery, and so forth.

The establishment of joint agricultural, industrial and commercial enterprises and the processing of agricultural products will open a new avenue for the rural labor power. There are good potentials for the development of our rural industry including the accommodation of surplus rural labor power. After the establishment of the Chongqing Joint Agricultural, Industrial and Commercial Enterprise, 21 surplus workers of Huangjuedu Diary Farm were transferred to the diary products company and the production of dextrin was resumed. After the establishment of Changcheng Joint Agricultural, Industrial and Commercial Enterprise in Beijing, more than 1,000 surplus rural workers were used to develop the construction company of the joint enterprise. Running joint agricultural, industrial and commercial enterprises for accommodating surplus rural workers is by no means a temporary expedient. Hereafter, the gradual development of this form of joint enterprises will play an important role in eliminating the three major differences.

III. Joint Agricultural, Industrial and Commercial Undertakings Should Put Agriculture in the First Place

The main purpose of setting up joint agricultural, industrial and commercial enterprises in our country is to create more social wealth through the full and rational utilization of our manpower and our material and natural resources. Our present agricultural foundation is very weak and has become a serious drag on the entire national economy. The promotion of agricultural production is an urgent task. Therefore, in developing joint agricultural, industrial and commercial enterprises, particularly the experimentation of the joint enterprises among some state farms and people's communes at present, agricultural development before there can be an abundance of agricultural and sideline products or any overall industrial and commercial development, and before we can laid a solid material foundation for the industrial and commercial development inside the joint enterprise. Judging from some experiences of the experimental units and the rural people's communes and production brigades in undertaking industry, we must correctly adjust the following two relationships in setting the business orientation of future joint agricultural, industrial and commercial enterprises:

First, the relationship between agriculture on the one hand and industry and commerce on the other must be properly handled. Agriculture, industry and commerce are all components of joint agricultural, industrial and commercial enterprises, and should all be well managed. However, the primary purpose of forming joint agricultural, industrial and commercial enterprises is to develop agriculture rapidly. Agriculture is, therefore, the core of such enterprises. Agricultural production should be the starting point, while the processing and marketing of agricultural products are the extention and continuation of agricultural production. In the course of processing and marketing, the value of agricultural products is increased which means increased income and expanded accumulation for the joint enterprise, which in return further expand agricultural production. In the early stage of joint agricultural, industrial and commercial experiments, some units did more planning for industrial and commercial projects. This method of increasing income, expanding accumulation, and speeding up production is

understandable. However, the two following aspects should be considered: First, industrial and commercial developments are restricted by rural economic conditions, such as the capacity of investments, the amount of electric power, and the availability of processing equipment, transportation and communications facilities, and so forth. At the same time, these developments are restricted by the amount of agricultural raw materials, because people cannot "cook their meals without rice." The slogan "look for rice to cook your own meals" is correct as long as its implication is limited to the need to tap local potentials, to develop the diversified economy of agriculture, forestry, animal husbandry, and fishery and then to develop processing and marketing. Any action beyond this limitation, such as the attempt of some commune- and production brigade-run enterprises to "grap" raw materials everywhere even by competing with large industrial units, is not proper. Joint agricultural, industrial and commercial enterprises should think of the needs for developing agriculture before undertaking any industrial or commercial projects, and should consider the existing conditions before determining the scope of the undertaking. Disregard of the needs of agriculture and the existing conditions in undertaking industrial and commercial projects should be prevented. Secondly, when revenues are increased as a result of industrial and commercial undertakings, attention should be paid to the economic accounting of agriculture. Besides agriculture, joint agricultral, industrial and commercial enterprises should also engage in industrial and commercial activities in order to increase revenues, which is not only reasonable but also necessary. At present, some of our state farms are still operating at a loss, and among some rural people's communes and production teams, the expenditures are higher than the revenues. In the past, when stress was laid on the need for the per-mu output to reach the target set by the National Program for Agricultural Development, some communes and production brigades one-sidedly strived for high per-mu output regardless of the production cost. Thus many "high-output poor teams" have appeared, and they are in urgent need of increased revenue. The establishment of joint agricultural, industrial and commercial enterprises is thus warmly hailed by the state farms as well as the rural people's communes and production brigades. However, some farms, people's communes and production brigades have attached more importance to the increase of revenue from industrial and commercial sources than to increases from tapping agricultural potentials. Therefore, they are biased toward industry and commerce, little knowing that the purpose of joint agricultural, industrial and commercial enterprises is to improve agriculture, and, while increasing revenues and gradually improving the living conditions of the farm workers and peasants, to expand the accumulation for realizing agricultural modernization and promoting agricultural production instead of simply making up agricultural losses in the manner of "using industry to remedy agriculture."

Secondly, the relationship between agricultural products and nonagricultural products to be processed and sold by the industrial and commercial components. We must first understand that joint agricultural, industrial and commercial enterprises is mainly a form of industrial and commercial activities undertakened by agricultural enterprises. Therefore, their main concern should be

the processing and selling of agricultural and animal husbandry products. Obviously, they must mainly process agricultural and animal husbendry products and then sell them in order that they can count on a full supply of raw materials in the vicinity, comprehensively utilize agricultural sideline products and reduce the links in the circulation and marketing of their commodities. Only by these means can the superiority of joint agricultural, industrial and commercial enterprises be given fuli play. Secondly, we must also understand that the industrial and commercial activities undertaken by joint agricultural, industrial and commercial enterprises are also components of the entire industrial and commercial sectors, and that there should be rational division and coordination of work between these enterprises and the state industry and commerce. In the long run, along with the gradual development of various state industrial production and in accordance with the special features of the joint agricultural, industrial and commercial enterprises, it may be desirable to gradually transfer the processing, particularly the primary processing, of agricultural products to these joint enterprises, under suitable conditions. The state industry can then have more time to make use of their better equipment and technological forces for the development of "sophisticated" processing of other industries. This method will certainly help improve the social economic results. Of course, we must resolutely prevent any competition for raw materials between these joint enterprises and the large industries which will result, on the one hand, in some high efficiency machinery and equipment operating under capacity or being left idle, and on the other hand, the "bustling scene" of small indigenous equipment cperating at low efficiency and causing waste. At present, some industrial and commercial enterprises have formed joint operation with agricultural enterprises. In this way, they have given play to the role of the joint agricultural, industrial and commercial enterprises, made full use of existing equipment, and promoted agricultural production. This method should be affirmed.

IV. Restructuring of Economic Management System Is Required in Running Joint Agricultural, Industrial and Commercial Enterprises

At present, in experimenting the operation of joint agricultural, industrial and commercial enterprises, some comrades of the planning, industrial and commercial departments are worried that these joint enterprises may "upset the plans," and "disturb the market." On the other hand, the comrades of some experimental agricultural enterprises complain of "running into a stone wall everywhere" and "having difficulty in moving a single inch." These two different views reflect the contradiction between joint agricultural, industrial and commercial enterprises as a new form of agricultural encomic organization and management and our existing system of economic management. Judging from the problems already shown in the experiments, we can see two main problems:

First, the problem of our system of planned management. Our socialist economy is both planned economy and commodity economy. Giving full play to the role of the law of value will help arouse the enthusiasm of the agricultural enterprises and the broad masses of farm workers and commune members, and further promote agricultural production.

Reviewing our past experiences in national economic construction, we can see certain defects because in certain respects, the planned control of the national economy has been overrigid, and the nature and role of the law of value was not fully recognized. Therefore, in agricultural production and the circulation of agricultural products and commodities, the regulative role of the law of value on socialist production could not be used to better advantage. It has in varying degrees dampened the enthusiasm of the agricultural enterprises, and the broad masses of farm workers and commune members. Ours is a socialist country, and it is beyond doubt that planned economy should occupy the dominating position. In the actual practice of planning, however, the agricultural planning cannot, and has no need to, include the whole process of agricultural production and the marketing of agricultural products. Many comrades have proposed the use of indirect planning and the reduction of planned items. As to marketing, many agricultural products belong to the "third category materials" and some are relatively insignificant to the national economy and the people's livelihood; there is no need to include these products in the plans. Some miscellaneous items are so numerous and loose that planning for them is difficult, while other items are so perishable that planning would be inconvenient. In the past, instead of planned procurement, the form of negotiated purchase was used for these items. For a time, however, some regions and departments have unconsciously controlled them in the same rigid way as they did for other planned products with respect to quantities, varieties and prices, with serious effects on the production and marketing of these products. Joint agricultural, industrial and commercial enterprises function like enterprises; therefore, full scope should be given to the role of the law of value in order to further arouse the enthusiasm of the joint enterprises, and the broad masses of workers and commune members and to improve the production and work agriculture, industry and commerce.

Secondly, the problem of the management system of the departments of the national economy. The establishment of joint agricultural, industrial and commercial enterprises is a reform of our rural economic structure which affects not only agriculture, industry and commerce, but also capital construction, communications, foreign trade, labor, finance, materials, credit and the work of various departments; and the relations of production and the superstructure. From the situation of the experimental joint agricultural, industrial and commercial enterprises, we can see rather striking contradictions between them and commerce. Some comrades said: In running joint agricultural, industrial and commercial enterprises, "the difficulty lies with commerce." According to the present management system, the sugar produced by the Shihezi Joint Agriculture, Industrial and Commercial Enterprise of Xinjiang, has to be procured by a procurement center of the commercial department as a higher level from the joint enterprise and later returned to the food processing plant of the enterprise to be made into candy or some food. These processed products are again procured by the commercial department and again returned to the joint enterprise to be sold. Thus from the production of agricultural products to the sale of processed commodities to the customers, four intermediate links are involved; and in

the joint enterprise or the "dragon" of production, processing and marketing, the commercial department has to intervene twice, thus turning the food processing plant of this joint enterprise into a processing plant for the commercial department to process their materials. This is contrary to the rational economic principles and created contradictions between departments. At the same time, because of the experiment of the joint enterprises, the processing and marketing of part of the agricultural productions have to come under the control of the agricultural departments, thus severing their connections with the commercial or foreign trade departments. With the blocking of the channels for the supply of funds, equipment and raw subsidiary materials, which the agricultural departments are unable to provide, the joint enterprises have to face many difficulties in processing and marketing. In addition, other contradictions have also emerged in varying degrees in their relations with other departments. These problems are not caused by the departments concerned but rather by the entire system of departmental control in our country under which the originally close organic relations in the production, processing and marketing of agricultural products are replaced by a strict division into control by different departments. The development of our socialist construction demands that all these departments be organically and closely combined and is now in conflict with the existing system of departmental control. This problem cannot be solved by either the agricultural or the commercial departments, and the key to the solution lies in a restructuring of our economic control system. Reviewing our experiences over the past 30 years, we can see that many aspects of our economic management system and management methods are not consistent with the development of our national economy. In his Report on the Work of the Government delivered at the Fifth National People's Congress, Comrade Hua Guofeng called for an overall reform of the structure of the economy management to be carried out firmly and step by step, and told us that after exploration, experiment and practice in 3 years, we must formulate a series of measures which will give industrial, agricultural, transport and communications, and commercial enterprises the necessary power to make their own decisions and take initiatives in production and management in accordance with the needs of society, so that production will be closely linked on the one hand with supplies of raw and semi-finished materials, and with the marketing of their products on the other, and thus correcting the dislocations between supply, production and marketing. We must firmly implement the Party Central Committee's policy of "readjustment, restructuring, consolidation and improvement" in order to pave the way for the establishment of our joint agricultural, industrial and commercial enterprises.

(January 1980)

FOOTNOTES

1. Marx, "Das Kapital" Vol 1, People's Publishing House, 1975, p 551-552.
2. Ibid, p 552.
3. Marx, "Grundrisse" Vol 1, People's Publishing House, 1975, p 112.

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NATIONAL ECONOMIC POLICY

PLANNING IN ORDER OF AGRICULTURE, LIGHT INDUSTRY, HEAVY INDUSTRY DISCUSSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 80
pp 26-32, 41

[Article by Wang Yongyin [3769 3057 6892]: "On Formulating Plans in the Sequence of Priority of Agriculture, Light Industry and Heavy Industry"]

[Text] Our national economy is now undergoing readjustment, and the important task in this economic readjustment is to correct the long-standing imbalance between agriculture and the light and heavy industries in a planned and systematic way. Under such conditions, it is necessary and of practical significance to thoroughly understand the importance of Comrade Mao Zedong's planning in the order of agriculture, light industry and heavy industry, and to draw lessons from experiences in handling the relationships between them.

I. The Need for Planning According to the Order of Agriculture, Light Industry and Heavy Industry

The national economic plan based on the order of agriculture light industry and heavy industry was put forward by Comrade Mao Zedong at the Lushan Meeting in 1959. This was a correct guideline which must be followed in economic planning. Why must our planning be based on this instead of any other order? Within what scope is this principle applicable in regard to time and space? How is this principle related to the Marxist theory of reproduction after all? These are the questions first encountered and calling for answers in our study and solution of the problems of agriculture and light and heavy industries.

For a long time, people have been in the habit of explaining the need for the order of agriculture, light industry and heavy industry in development by pointing out that agriculture is the foundation and that light industry yields accumulation funds faster. This explanation, though reasonable in some way, cannot be entirely convincing. Agriculture as the foundation of national economy is based on a universal law applicable to any country at any time. If it is claimed that agriculture as the foundation should occupy the first place in the development of national economy, all countries in the world should without exception follow the same order. But this is contrary to the facts.

Some countries attaching great importance to agriculture have been very successful in economic development, but others mainly relying on imported agricultural products instead of developing their own agriculture to meet their own needs have also undergone rapid economic development. Marx analyzed this phenomenon long ago and concluded that "agriculture at a certain stage of development at home or abroad is the foundation of capital development."[1] In other words, agriculture as a foundation can be established at home or abroad, and it is not necessary that agriculture should occupy the first place in economic construction. It is also a fact that light industry has the special advantage of yielding accumulation quickly, but not all countries attach importance to it just because of this advantage. It is true that some countries in the world have developed their economy by developing light industry first; but other countries, like Iran, Saudi Arabia and other Middle East countries mainly rely on such heavy industry as petroleum for their accumulation. To explain why other countries need not follow the order of agriculture, light industry and heavy industry as we do, we must carefully study the particularity which differentiates our own country from other countries, and proceed from actual conditions in looking for the objective basis for the principle behind the order of agriculture, light industry and heavy industry in order to demonstrate the historical inevitability.

On such an understanding, there are probably three causes for our need to follow the agriculture, light industry and heavy industry order.

First, we have a large population and the important problem of feeding people requires the solution to be found within our own country. Some countries have small populations and their food problem is not serious. It is, therefore, entirely possible for them to import grain from other countries having a surplus of agricultural products. For our country with more than 900 million people, at least 480 billion jin of grain is required annually to feed them. If we have to rely on outside help to solve the problem of feeding this huge population, no other country is capable of rendering the required help. At present, the total annual export of grain in the world is only slightly more than 300 billion jin. Furthermore, for various reasons, we do not have sufficient foreign exchange to buy so much food. It may be possible for us to import some, but not too much, at certain times, but the best way is to rely on the development of our own agriculture as a solution to the problem of feeding our people. Food is most important to people, and our country, having one-fifth of the total world population, should pay greater attention to the production of food than any country would.

Secondly, agriculture as the foundation of our entire national economy must be developed as our foremost concern in order that the national economy can continue its rapid progress. Some countries are paying little attention to agriculture simply because in the economic system of the capitalist world, they enjoy some favorable conditions which enable them to obtain the agricultural products, which are indispensable to their economic development,

through international division of work. We do not belong to this type of country. We are expanding our economic trade contacts with foreign countries by giving full scope to our strong points instead of being cut off from international intercourse. But this type of economic contact and cooperation should never develop to such an extent that we may lose our independence in the economic system of the "great community" of the capitalist world. Nor should our economic development be built on the agricultural foundation of another country. The social nature of our country does not permit either our being controlled by others or our controlling others. This consideration determines the need for us to establish our own independent and relatively complete industrial and economic system under the guiding principle of mainly relying on ourselves and striving for foreign aid as a supplement. We should basically rely on our internal resources as a means of meeting our needs for developing our industry and the entire national economy. At the present stage, we can say that the overwhelming majority of materials required for developing our industry and the entire national economy, such as grain and other agricultural and sideline products required by the labor power of various departments and the labor power engaged in reproduction; and the agricultural raw materials required for light industrial production and for state accumulation funds, are directly or indirectly supplied by agriculture. The ability of agriculture to provide these basic conditions has a decisive effect on the all-round development of the entire national economy. At present, out agriculture is quite backward, and if the efforts of 800 million peasants, including 300 million able-bodies, still cannot help us attain self-sufficiency in agriculture, there will be a drag on the development of industry and the entire national economy. To accelerate the development of industry and the entire national economy, we must first vigorously develop our agriculture.

Thirdly, the consumption level of our people is quite low, and people's daily needs are mainly dependent on agriculture and light industry. Compared with those of the economically developed countries in the world, the levels of income and consumption of our country is low. At present, the average monthly wage of our workers and staff members is only 54 yuan, and the average annual income of each peasant from the collectives is only 83 yuan. This makes it necessary and natural for everyone planning his own way of living to first satisfy his own basic needs before he can become well-to-do enough to consider buying such expensive items as television sets. Thus agriculture and light industry which mainly produce daily necessities are particularly significant in meeting people's consumption. At present, agricultural and light industrial products required for people's food and clothing amount to 74 percent of the total volume of retail sales for social consumption. If other light industrial products and the nonmarketable grain consumed by the peasants themselves are taken into account, the ratio of agricultural and light industrial products in the total amount of people's daily consumption will be even higher. On the other hand, the direct effect of heavy industry on people's daily living is relatively small. The purpose of socialist production is to satisfy people's daily needs. When people have to rely mostly on agriculture and light industry in their daily life, agriculture and light industry naturally deserve primary consideration in the formulation of plans. This is determined by the basic socialist economic law.

It is true that along with the change of the above factors in the process of economic development, the order of agriculture, light industry and heavy industry can also change. In a country, after all, the lower are the economic level and the corresponding standard of living, the greater will be the reliance on agriculture and light industry. On the other hand, the higher are the economic level and the corresponding standard of living, the less will be the reliance on agriculture and light industry. This has become a law. When our economic level and the corresponding standard of living have been raised to a certain extent--that is, when there will be no more problem with agriculture and our birth rate has been suitably reduced--industry's reliance on agriculture will be reduced, and agriculture, even though slowly developing will be sufficient to meet various needs. People's standard of living will also rise to such an extent that whatever they spend on their food and clothing will form only a minor portion of their total outlay, and the major portion of it can be used for purchasing television sets, household electric appliances and some durable consumer goods, which are now rather rare. By that time, there will be certain change with the order of agriculture, light industry and heavy industry. Our national economy should change from a light industrial structure at present to a heavy industrial structure later. In order to accomplish this historical change, we should strive for modernization of a Chinese pattern, and continue to improve people's livelihood through production development. This should be beyond doubt. However, the fundamental change of these factors cannot be brought about in a brief period. Before then, we should continue to follow the order of agriculture, light industry and heavy industry. Instead of a temporary expedient, this will be our consistent policy for a fairly long time to come. It would be wrong if we fail to see that the order of agriculture, light industry and heavy industry is the outcome of the development of our production at a certain stage instead of being part of our permanent policy. Yet if we fail to see that it will take a very long time to change the objective conditions on which the change of the order depends, and prematurely abandon this policy; or if our confidence in this order is shaken as soon as our agriculture and light industry shows some improvement, it will be equally wrong.

Planning according to the order of agriculture, light industry and heavy industry is consistent with the Marxist theory of reproduction which holds that, speaking of the two major categories generally, the growth of the means of production will be quicker than that of the means of subsistence because of the rise of organic composition resulting from advanced technology. However, the two major categories are interdependent, and mutually supplementary and regulative. The means of production cannot grow in isolation from the growth of the means of subsistence, because it is the final analysis restricted by the conditions of production of the means of subsistence. We develop heavy industry, which mainly produces the means of production, on the basis of full agricultural and light industrial developments precisely because we want to avoid any dislocation between the production of the means of production and the production of the means of subsistence. If you really want to develop heavy industry and are quite

serious about it, you should first pay attention to agriculture and light industry. Developing heavy industry by strengthening agriculture and light industry first will in the long run enable heavy industry to develop more extensively and rapidly. If you agree that the faster production of the means of production than the production of the means of subsistence is the natural outcome of the harmonious development of the two major categories, then planning according to the order of agriculture, light industry and heavy industry is the most effective way to accomplish industrialization in our country. It is wrong to set this order against the priority growth of the means of production. Furthermore, when we say that planning should be based on the order of agriculture, light industry and heavy industry, we do not mean that in the allocation of state investment, agriculture should have the largest portion, light industry should have the second largest and heavy industry should have the smallest portion. We only mean that in working out the national economic plan, we should first see that the requirements for the development of agriculture and light industry are met to the maximum extent, though heavy industry generally will have the lion's share of investments and materials. In the long run, the development of the production of the means of production will be quicker than that of the means of subsistence, because in our country, agriculture is basically under the system of collective ownership, and the material conditions for developing agriculture are mostly dependent on collective efforts; and in the organic composition of agriculture, the ratio of living labor is higher. Therefore, although agriculture is given priority consideration at the time of planning, the share for agriculture of state funds and materials cannot be, and is not expected to be, the largest. Light industry has a comparatively high organic composition. However, since its production cycle is short, the turnover of funds and materials is fast, and the collectively owned enterprises, which are not included in state plans, are quite many, the share of funds and materials for light industry cannot be the largest either. Heavy industry, however, requires long construction periods, yields slow results, takes up more funds, consumes more materials and are basically owned by the whole people. To guarantee its regular production and construction, suitable arrangements must be made for allocation of funds and materials. Since planning based on the order of agriculture, light industry and heavy industry by no means negates the key position occupied by heavy industry in the allocation of funds and materials, the priority development of the production of the means of production is amply safeguarded.

Planning according to the order of agriculture, light industry and heavy industry has a close bearing on our modernization drive. Our goal is to build our country into a fairly well-to-do society within the next 20 years, and then enable it to join the ranks of the modern powers. We must have the necessary conditions for the healthy and normal development of our economy at a sustained high speed. Therefore, we must follow the correct policy, properly handle the various economic ratios, including those among agriculture and the light and heavy industries, and guard against serious setbacks in our economic life. Planning according to the order of agriculture light industry and heavy industry is precisely the correct policy we

have discovered in practice for guarding against imbalances and for safeguarding healthy economic development. Reviewing the history of our socialist economy construction, we can see that whenever we effectively implemented the policy of priority for agriculture, light industry and heavy industry in that order, the entire national economy would develop smoothly and rapidly; and that whenever we deviated from this policy and gave prominence to heavy industry in isolation from agriculture and light industry, the entire national economic development would suffer setbacks and slow down. We must firmly adhere to this policy and develop agriculture, light industry and heavy industry in harmonious proportion before we can create the conditions for the healthy, normal and rapid development of our national economy and avoid severe setbacks. Only thus can our national economy develop steadily and rapidly, until we reach our great goal of building our country into a modern powerful country.

II. Several Problems to be Noted in Planning According to the Order of Agriculture, Light Industry and Heavy Industry

If planning according to the order of agriculture, light industry and heavy industry is to be an important policy which must be followed, then the question of its application in practical work and the effective way to apply it should be further discussed and studied in practice. Based on our past experiences of success and failure in handling the relationships among agriculture, and light and heavy industries, there are probably three problems worth noting:

First, in planning for the national economy, it is necessary to give first priority to agriculture and second priority to light industry in the allocation of manpower, materials and money. This is the key to planning in the order of agriculture, light industry and heavy industry. The allocation of manpower, money and materials among agriculture and light and heavy industries should vary according to the actual conditions of different periods and different years instead of following inflexible predetermined ratios. At the same time, the ratios should be based on both requirement and possibility. As for requirement, priority in meeting the material requirement of agriculture and light industry does not mean the supply of any quantity requested without considering the basis of the request and without using any judgement. The requirement should not include high targets and quotas which are divorced from reality; instead, it should be an indispensable factor in guaranteeing the harmonious development of various departments of the national economy and in maintaining a normal growth speed and production level. There are objective criteria for this normal growth speed and production level. For agriculture, the supply of the main agricultural products from a developed agriculture should be sufficient to meet the daily consumption of the newly increased population, the requirement of industry for maintaining its steady development, the requirement of agriculture itself for seeds, fodders and so forth to be used for expanded reproduction, and the requirement for raising the level of consumption of the original population. Agriculture is subjected to the influence of natural conditions, and, of course, there can be either good or poor

harvests in different years. However, in normal years and based on the average level, such a standard cannot be excessive. For light industry, the criterion for normal growth, speed and production level is that the supply of daily necessities should be able to meet the many and varied requirements of people's daily life, so there will be a balance between the light industrial and agricultural products in addition to other consumer goods on the one hand and the normal growth of social purchasing power on the other. Furthermore, in working out specific plans, we should make rational arrangements on the basis of our actual material resources instead of considering only the requirements but not the actual possibility. If the state is rich in manpower and material financial resources, we should meet, or basically meet all the material requirements of agriculture and light industry. If the state is not rich in manpower and material and financial resources, then the allocation of agriculture and light industry should be a little less, but still not less than the allocation for heavy industry. If the supply of state manpower and material and financial resources is tight, then it is necessary to first insure that the minimum requirements of agriculture and light industry for producing the daily necessities are met. In other words, we must first protect the reproduction of labor power in order that their standard of living will not become low enough to affect their health, before attending to other aspects. This principle of allocation is absolutely necessary for preserving social stability and developing production.

Secondly, we have to correctly handle the internal proportionate relationships of agriculture and light and heavy industries. This is an important condition for insuring that agriculture, light industry and heavy industry will cater to the needs of one another and that they will all develop in harmony. To play its own basic role in the development of the entire national economy, agriculture must properly handle its internal relationships among agriculture, forestry, animal husbandry, sideline occupation and fishery in addition to rational arrangements for grain, cotton, edible oil, hemp, silk, tea, sugar, vegetables, tobacco, fruits, medicinal herbs and miscellaneous crops. In our country where there is an urgent need to solve the problem of feeding more than 900 million people, attention to grain production in developing agriculture must be affirmed. At the same time, the all-round development of agriculture should receive due attention; otherwise there will be insufficient agricultural raw materials for light industry with adverse effects on market because of the failure of light industry to keep up its supplies. Therefore, in agricultural planning, including the setting of targets for the quantities of different products, the allocation of materials and other concrete measures, there should be overall consideration of all factors instead of any single factor. In working out the price policy, the policies for prescribed purchases or procurement quotas, the policy of grain rationing and the policy of rewarding, the state should give overall consideration to grain crop areas, cash crop areas, and other multiple undertakings areas so that each of these areas can get what it wants and display its own activism. This will prevent abnormal changes in the makeup of agricultural productions brought about by ill-considered

policies. We should also strongly support the areas designated for the concentrated production of these raw materials in order to guarantee a steady supply of agricultural raw materials required for industry. By these means, even though the grain output may be reduced in certain areas, there will be greater economic value for the whole country and obvious advantages to the market of light industry and to export in foreign trade. Furthermore, the development of a diversified economy will increase the supply of chickens, ducks, fish, meat, eggs, vegetables and milk, and people's consumption of grain will be corresondingly reduced. The pressure of grain production on agriculture will also be gradually reduced. It is, therefore, incorrect to set taking grain as the key link against the overall development of agriculture.

Light industry is one of the departments to supply consumer goods in the market. In view of the position occupied by light industry in the national economy and the role it plays, two problems should deserve attention in the implementation of the agriculture-light industry-heavy industry policy. First, the problem of the makeup of products. Light industry should produce more daily necessities suitable for the countryside so as to obtain more agricultural products in exchange from the peasants and to meet the requirements of marketable grain and agricultural raw materials. Second, the problem of the makeup of raw materials. At present, 70 percent of the raw materials for light industry come from agriculture which has a decisive effect on the development of light industry. Because of our backward agriculture, the growth of raw materials for light industry is very slow and not even steady, thus restricting the growth of light industry. While vigorously developing agriculture, we should also quickly change the over-reliance on agriculture by light industry; otherwise light industry will not be able to meet the requirements of the rapidly growing social purchasing power. We must have the determination to increase the ratio of industrial raw materials and decrease that of agricultural raw materials in the makeup of raw materials. This is the trend of time. In the economically developed countries at present, industrial raw materials are mainly used in the production of daily necessities. Our country too should be advancing in the same direction. In recent years, we have made remarkable progress in the chemical industry, and the ratio of the output value of light industrial products using industrial raw materials to the total light industrial output value has increased from 12.5 percent in 1952 to 31.6 percent. The appearance of chemical fibers has in particular substantially replaced cotton and reduced the burden of agriculture to a certain extent. This is one of the effective means of changing the raw material makeup, and should be vigorously promoted.

The main role of heavy industry is to use the means of production to supply technical equipment for various departments of the national economy. In arranging the internal proportionate relationships, the most important point is to solve the problem of relationship between serving agriculture and light industry and serving heavy industry itself, and to see that the development of heavy industry should be oriented to the acceleration of

agricultural and light industrial developments. In planning for the structure of production and the makeup of products for heavy industry, first priority should be given to the production of the means of production required by agriculture and light industry, and second priority should be given to the production of the means of production required in manufacturing the means of production required by agriculture and light industry. Finally, the production of the means of production required by heavy industry for serving other pruposes should be insured. What agriculture requires from heavy industry are mainly farm machines, chemical fertilizers, insecticides, electricity, plastic sheets and so forth. What light industry requires from heavy industry are mainly machinery and equipment, raw and semi-finished materials, fuel, power and so forth. In meeting these demands from agriculture and light industry, heavy industry should not only supply the required quantities but also produce the correct varieties, specifications and models. The products should be durable and their quality should be up to the required standard. It should be admitted that since the founding of the People's Republic, heavy industry, in the course of its development, has done a great deal of work in supporting agriculture and light industry. However, compared with those of agriculture and light industry, the need for the speedy development of heavy industry is far less urgent. Sometimes, the farm machinery supplied by heavy industry for agriculture is not in complete sets; sometimes, the price is too high, the quality is poor and the spare parts and accessories are not enough. Therefore, the machinery cannot be used to full advantage. The varieties and quantities of chemical fertilizer and high-efficiency and low-toxicity insecticides are inadequate for the requirements of agricultural development. The raw and semi-finished materials provided by heavy industry to light industry, such as steel products, chemical raw materials, and so forth sometimes fail to meet the varieties and specifications, and are sometimes supplied in insufficient amounts. All these problems should be carefully solved through a readjustment of the internal structure of heavy industry and the adoption of effective measures.

Thirdly, the production targets and scope of construction for heavy industry cannot be separated from what is permitted by the supply of consumer goods, and must not be set too high in disregard of agriculture and light industry. Heavy industry should set its own production targets and scope of construction properly in accordance with the material conditions provided by agriculture and light industry. Disregard of the regulatory role of agriculture and light industry and leaving heavy industry to entirely to subjective will certainly have serious consequences. After liberation, we have several times reduced the number of workers and nonagricultural population, mainly because the targets, particularly the target for steel were set too high for heavy industry, and these high targets called for a correspondingly large scope of construction and an excessive number of workers and staff members. The end result was that agriculture and light industry were over-burdened with the supply of consumer goods. In 1958, the call for doubling the output of steel brought about a rapid development of heavy industry, and the ratio of investments on heavy industrial capital construction in the total amount of investments jumped from 45 percent in the first five-year plan period

to 57 percent, and the number of workers and staff members sharply increased by 20 million. At the same time, the ratio of agricultural workers to industrial workers was lowered from 13.8:1 to 5.7:1. The ratio of investments in light industry and the ratio to light industrial consumption of steel products in the market were lowered from 5.9 percent and 20.7 percent in 1957 to 4 percent and 10.2 percent in 1960 respectively. On the one hand, the sharp increase of workers demanded that light industry should produce more consumer goods for the market; on the other hand, insufficient support was given to agriculture and light industry in the production of consumer goods. This unavoidably brought about an imbalance and finally forced heavy industrial to a halt. The scope of capital construction was reduced and some 20 million excess workers had to return to the countryside in order that agriculture would have a suitable base. In 1972, the number of workers, their total payroll, and the grain consumption all exceeded the state plan for the same reason. From this, we can see that if we want to control the number of workers and the nonagricultural population within the limits permitted by the supply of consumer goods, the key lies in the control of the heavy industry production target. At present, when the production levels of agriculture and light industry are relatively low, we should pay attention to these three points in preventing an imbalance between the production of heavy industry, particularly the steel industry, and the supply of consumer goods: First, the accumulation rate should not be set too high. An excessive accumulation rate will bring along with it a correspondingly excessive scope of capital construction and an increase of workers. Secondly, in setting the production targets and scope of construction for heavy industry, we must not only strictly observe the actual possibility permitted by the amount of funds, materials and equipment, but also carefully consider if the newly added workers and nonagricultural population will exceed the capacity of agriculture and light industry in supplying marketable grain and other consumer goods, and if the transfer of labor power from the countryside will adversely affect the development of agricultural production. Thirdly, we must reform our planning method and place steel industry in a suitable position in the planned and proportionate development of the national economy. Way back in 1964, Comrade Mao Zedong already proposed a change in the method of planning. He pointed out that in working out a plan, we cannot start with a fixed target for steel production and then use this target as the basis for calculating the amounts of coal, electricity and transportation facilities required, and the living conditions and welfare measures of the city population. Instead of this, we should first find out how much grain could be produced, and how much chemical fertilizer, insecticide, machinery, steel and so forth are required. In other words, grain instead of steel should be placed in the primary position, and the order of heavy industry, light industry and agriculture should be reversed as agriculture, light industry and heavy industry. Unfortunately, this correct method of planning was not kept up, and the result was suffering for the people. After our experiences, both positive and negative, all of us should realize the importance of the order of agriculture, light industry and heavy industry, particularly during the period of economic readjustment.

III. Readjust the National Economy According to the Agriculture-Light Industry-Heavy Industry Policy

During the present economic readjustment, one of the important links and the important tasks to be accomplished in our economic planning is to unswervingly implement the agriculture-light industry-heavy industry policy and to set right the proportionate relationships between agriculture, light industry and heavy industry.

In readjusting the ratios among agriculture and light and heavy industries, we must first ascertain the main problem at present. People in every quarter are now claiming that theirs are "short lines" which should be further strengthened. If this problem is not solved, economic readjustment will not be able to make much headway. It cannot be denied that every department of the national economy is experiencing certain incovenience. However, if we will carry out an in-depth analysis of the whole complex economic situation, it will not be difficult for us to discover that among the departments of direct material production, the principal contradictions are caused by a backward agriculture, a weak light industry, and the present tight supply of energy for heavy industry. In the first 11 years after liberation, our production of grain and both animal and plant oil was more than self-sufficient; now we have to import huge quantities of them. Furthermore, the import of cotton and sugar is also considerable. Thus, with the exception of pork, the average nonstaple food consumption level has not shown any marked rise; in some cases, it had even declined. In many areas, the peasants are still underfed. Because of the shortage of materials, approximately one-third of the production capacity of sugar refineries throughout the country is left idle. For a long time, our textile and paper-making trades have relied on imported fibers and pulp to maintain their operation. Our light industrial production was already inadequate for meeting people's demand even though the wages of workers had not been adjusted for many years. Since 1977, there have been two general divisions of wage scales, the practice of the bonus system, the increased number of people employed, the raise of agricultural and sideline product prices, and a large increase of social purchasing power; so the shortage of light industrial products in the market is even more keenly felt. The development of our fuel and power industries, though rather rapid for a long time, still cannot keep up with the demands of production and livelihood. Because of the shortage of coal, oil and electricity, many enterprises have suspended or reduced their operation, while many newly constructed projects cannot be commissioned on schedule. It is also quite common for some residential areas to be partially cut off from electricity supply as a means of energy conservation. These three problems are the main indications of imbalance between agriculture and the light and heavy industries which has a strong impact on the entire national economy. Furthermore, the problem of backward transportation and communications facilities is also quite striking, while city construction and some undertakings in culture, education and scientific research have been long overdue. In readjusting our national economy, we must have the determination and use great efforts to strengthen these

weak links by promoting agriculture, light industry, and the fuel and power indsutries in order to bring about the coordinated development of the entire national economy.

The national economy is an organic entity comprising various departments which are like links in a chain, and disturbance to any one of them may cause a chain reaction. Therefore, in readjusting the relationships among agriculture and light and heavy industries, we must adhere to the principle of safeguarding the key points and attending to the ordinary matters at the same time. While adopting different methods to strengthen the weak links, we should at the same time work out a comprehensive arrangement so that nothing will be left out; otherwise a new imbalance may ensue. Following this principle in the light of existing conditions, we should carry out measures of readjustment in three different aspects.

First, the orientation of investments should be adjusted so that arrangements for agriculture, light industry and the fuel and power industries can be made for their large-scale increase of production. In our country, the ratio of investments in farmland capital construction, from the time of the third five-year plan to 1978, was maintained at about 12 percent, which is unduly low. Thus agriculture has become an increasingly serious drag on the national economy. The ratio of investments in light industry was 5.9 percent during the first five-year plan. At that time, people were quite satisfied with market supplies. Comrade Mao Zedong still thought it was not enough, and in his report "On the Ten Major Relationships," he proposed that the ratio of investment in light industry be further raised. However, his proposal did not materialize for a long time, and the ratio was even further reduced. At the time of the first five-year plan, when efforts were concentrated on building up heavy industry, the ratio of investments in heavy industry was 46.5 percent. However, during the periods of the second five-year plan, the third five-year plan, the fourth five-year plan, the fifth five-year plan and up to 3 years ago, this ratio has never been below 53 percent, which was unduly high. Although for some reasons, comparison of these ratio figures cannot be accurate, they nevertheless reflect the imbalance of investments in agriculture, light industry and heavy industry. After the Party General Committee made its strategic policy decision on readjusting the national economy, the state revised the ratios of investment in agriculture, light industry and heavy industry. In 1979, the state raised the ratio of investments in agriculture from 10.7 percent in 1978 to 14 percent; raised the ratio of investment in light industry from 5.4 percent in 1978 to 5.8 percent; and lowered the ratio of investment in heavy industry from 54.7 percent in 1978 to 46.8 percent. After these revisions, agriculture was strengthened; investment in light industry was increased, and the imbalance among agriculture, light industry and heavy industry became less marked. Hereafter, we should as much as possible continue to raise the ratios of investments in agriculture and light industry. Investment in heavy industry should be first used in strengthening energy resources. Since it takes longer to exploit energy resources, we must start spending our money and exerting our efforts now if we want to eliminate the

present disproportions between the extraction of oil and oil reserve, and between coal mining and tunneling, and to guarantee the supply of energy in future years. We must solve the problem as though it is a strategic problem.

Secondly, we have to work out specific policies favorable to the development of agriculture and light industry and to easing the tight supply of fuel and power. Because of the limited amount of available investments during the period economic readjustment and the need to catch up with the many projects in arrear, we must rely more on our policy in accelerating the development of our agriculture, ligh industry, and the fuel and power industries. This is a good way of achieving marked economic benefits by spending little or no money at all. Last year, the state adopted a series of important policies to strengthen agriculture, such as raising the prices of agricultural products, reducing or remitting part of the tax from commune- and production brigade-run enterprises in economically poor areas, basing state purchase of grain on the 5-year quota, setting a price for above-quota purchases, and respecting the right of communes and production brigades to run their own affairs. These policies has aroused the enthusiasm of the broad masses of peasants and contributed to a bumper harvest in 1979. At present, there are strong potentials for increasing output through the adoption of policies. The influence of the ultra-leftist line have not been completely eliminated in many regions throughout the country, and the party's rural policies have not been completely implemented. In some localities, there are still infringements on the rights of communes and production brigades and blind commandism still remains. The system of ownership has not yet been completely readjusted to suit the development of the productive forces, and business management is not flexible enough. Provided these problems are solved, and full attention is paid to the application of science and technology, agricultural output can be further increased. In strengthening light industry, the state has in the current year adopted the "six priorities" policy--meaning priority supply of raw and semi-finished materials and fuel, priority for measures to be used in tapping potentials, renovation and transformation, priority in planning for capital construction, priority in bank loans, priority in the use of foreign exchange and the importing of technology, and priority in transportation and communications--in order to provide facilities for the growth of light industry and to help it overtake heavy industry. Hereafter, while continuing the policy of "giving a green light" for light industry, we should at the same time strengthen the cooperation and integration of light industrial enterprises. This is a new method to increase the production capacity of light industry. Our energy policy should encourage both the increase of output and the practice of economy. Our present consumption of energy in terms of standard coal is not much different from Japan's, but our industrial output value is only one-quarter of Japan's. From this, we can see that the present tight supply of energy is caused by our high consumption and great waste. As the most efficient country in the world in the utilization of energy resources, Japan has in recent years relied on the reduction of consumption as a means of increasing output.

Since we have far greater potentials in energy conservation, increasing output through energy conservation should be the main way for us to develop our national economy in the next several years. Even though the remodeling of some equipment of high energy consumption and low heat efficiency and the change of some products will cost money, such money should be considered well spent. The problem now is to adopt effective policies to encourage energy conservation in practice. Provided this is successful, the present tight situation in energy resources should improve.

Finally, there is the need to reduce the "long lines" in production and construction. When our financial and material resources are by no means abundant, some undertakings should be strengthened while others should give way. We must abandon some to protect others. Within heavy industry, the processing industry is excessive, because the capacity for processing through the country is four of five times the total available amount of steel. Therefore, the scope of this industry must be reduced. Some of these enterprises can change over to the production of durable consumer goods for the market and the production of machinery and equipment for exploiting energy resources. The supply of fuel and power should be based on the principle of "choosing the best." Those enterprises producing unsaleable goods because of poor quality, consuming too much raw materials, and suffering losses for a long time, should be "closed, suspended, amalgamated or ordered to change their line of production." The over-extended capital construction front has become a long-standing problem, and one of the important causes for tight planning. Therefore, we must have the determination to shorten this front, and to stop or defer those projects under inauspicious construction conditions, not urgently needed by the state, or with no guarantee for the supply of raw materials, fuel or power even after their completion.

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1. Marx, "Theory of Surplus Value" "Collected Works of Marx and Engels" Vol 26, Part I, p 23.

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NATIONAL ECONOMIC POLICY

RELATIONSHIP BETWEEN STABILIZATION, ADJUSTMENT OF PRICES JUSTIFIED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 80 pp 54-59

[Article by Ji Zhengzhi [4764 2973 3112]: "Basic Stabilization and Rational Readjustment of Commodity Prices"]

[Text] The policy of price stabilization is an important component of the party's price policy which demands the readjustment of irrational prices on the basis of maintaining a basic stability of commodity prices. Our experiences over the past 30 years has proved that this basically correct policy has played a positive role in promoting socialist construction and stabilizing people's way of living. It is true that in the course of it implementation, this policy has been interpreted in absolute terms with overemphasis on stability and disregard for readjustment. For this reason, some problems of price control and market control have made it difficult for certain irrational prices to be promptly readjusted. This is unfavorable for production and circulation. These problems must be solved, but their existence should be no cause for the negation of this policy. Such a negation may have serious consequences. While affirming this policy as basically correct, we should sum up our experiences and further enrich, perfect and correctly implement it in order to insure the smooth progress of the four modernizations.

I

We must maintain the basic stability of prices. This is an indispensable condition for carrying out socialist economic construction and stabilizing people's livelihood in a planned way. If prices are unstable, it will be very difficult to compare and balance various indexes of the national economy. This will be inconvenient for the formulation and implementation of the national economic plan, and may lead to chaos in economic life with adverse effects on the development of industrial and agricultural production and the normal commodity circulation. With fluctuating prices, it will be difficult to minutely examine the management level and business results of individual enterprises, or to induce the enterprises to improve their business management and economic accounting. Instability of prices may

upset financial stabilization and the consolidation of the currency value, and interfere with the rational distribution of state revenues and national income. This will intensify the contradictions among various economic interests. Unstable prices will also disturb the tranquillity of people's daily life and divert their attention from socialist economic construction. Furthermore, instability of prices provides the opportunity for unscrupulous people to engage in profiteering, graft and embezzlement which will undermine the solidity and development of socialist economy. After all, the basic stability of prices is an objective requirement in socialist economic construction, a common desire of the broad masses, and an important question as to whether the entire socialist economic construction program can proceed smoothly and whether political stability and unity can be preserved. Therefore, it must be taken seriously.

To maintain a basic stability of prices does not mean the freezing of prices. Instead, it calls for constant, necessary and rational readjustments of some irration prices. The serious irrationality of the prices of agricultural products and raw materials, left over by the old society, must be readjusted. More important still, because of frequent changes in the outlay on the production of various commodities, in the parity between their value and the currency value, and in their supply and demand in the course of national economic development, formerly rational prices may become irrational later and, therefore, readjustment must be carried out. If there is no readjustment, there will be a disparity among commodity prices with adverse effects on the proportionate development of various departments of the national economy. From this, we can see that readjustment of prices is an objective necessity. However, this kind of readjustment can be carried out only on the basis of a basic stability of prices, and not all the irrational prices left over by the old society can be readjusted within a brief period. The prices of the main items of commodities cannot be readjusted as soon as there is any change; nor can these prices be readjusted on a large and drastic scale simply because of supply and demand. The readjustment must be carried out by stages and in a planned way, so that the rise and fall of the general level of retail prices will be kept within bounds. In the readjustment of prices, we must be very cautious in dealing with the retail prices of the basic items required in people's daily life. Of course, this does not mean that readjustment is required only for the commodities of secondary importance instead of those of prime importance. Nor does it mean that the annual general level of retail prices cannot be changed, and that each addition must be accompanied by a subtraction or every rise be accompanied by a corresponding fall. Instead, the change can be larger in some years and smaller in others. In some years, we may stress stability; in others, we have to stress readjustment. The stability of prices can only be relative and basic stability. The basic stability and the rational readjustment of prices are interdependent and their relationship is that of a dialectical unity of opposites. We must maintain a basic stability of prices before we can carry out rational readjustment, while rational readjustment on the other hand is helpful to the consolidation of the basic stability of prices. If we cannot maintain the basic stability of prices and can only let them

rise or fall spontaneously, than there is nothing about planned and rational readjustment to speak of. Failure to readjust irrational prices may for a time appear to be helpful to price stabilization; but sooner or later, these irrational prices will affect normal production and circulation, and aggravate the imbalance between supply and demand, thus causing price instability in the market. We must gradually readjust the irrational prices in such a way that most commodity prices will generally approach their actual value before we can promote production and circulation. The material basis for stable prices must be strengthened before a genuine basic stability can be maintained. Therefore, we cannot talk only about stability and neglect readjustment, or treat the stabilization of prices as the freezing of prices. Nor can we ignore the need as well as the possibility to maintain a basic stability because of the need for price adjustment or the cahnge in the general level of retail prices. After all, it is incorrect to stress one aspect and negate another. Way back in 1956, Comrade Chen Yun correctly pointed out in a session of the Eighth CCP National Congress: "At present, there is a phenomenon in our policy which is unfavorable to production; that is, the stabilization of retail prices is simply regarded as a necessary 'unification of prices' or 'freezing of prices.'" At the same time, he said that people should not "be alarmed when prices rise temporarily within a certain margin" or when prices are set according to quality in the selective purchases of daily sundries, because prices would fall when production was developed. He added: "We are entriely capable of maintaing price stability." To avoid one-sided interpretation, we hold that it would be more objective and comprehensive for us to interprot the policy of price stabilization as a policy of maintaining the basic stability of market prices and of rational readjustment.

Since the founding of the People's Republic, there have been two different periods when readjustment was carried out despite the relative stability of prices; and another two different periods when readjustment was very minor despite some disturbance to price stability. From 1950 to 1957 and from 1963 to 1966, production developed very rapidly, propotionate relationships among different departments of the national economy were quite satisfactory, and the market prices were relatively stable. The general index of retail prices in 1957 was higher than in 1952 by 8.6 percent, and the average progressive rate in these 5 years was 1.7 percent. As for wages, there was an average progressive raise of 7.4 percent annually in the 5 years from 1952 to 1957, and the wage raise was higher than that of commodity prices. With their standard of living raised, the people did not feel the effect of price increase. During this period, the margin of price readjustment for industrial and agricultural products was fairly wide. During the first five-year plan period, the average annual increase of procurement price for agricultural products was 4.1 percent. In 1966, the procurement price for grain was raised along with a corresponding readjustment of grain market price, so that both procurement and market prices were basically balanced. In these two periods, the relationship between basic price stabilization and rational readjustment was fairly well handled. In another two periods from 1958 to 1962 and from 1967 to 1975, production development was slow, and there was

serious imbalance among various departments of the national economy which caused quite a stire in market prices. From 1960 to 1962, the index of retail sale prices throughout the country rose by about 10 percent, being about 1 percent more than the fluctuation rate in normal years, and this was a big rise. Judging from the wage level, the actual standard of living was only slightly raised. Not much was done in the way of planned readjustment of planned readjustment of agricultural product prices, but instances of arbitrary readjustments, price increase in disguise, passing losses to others were quite common. Similar conditions existed in the 10 years of turmoil. During these two periods, the relationship between the basic stabilization of prices and the rational readjustment was not well handled because of mistakes in our work, and particularly the interference and sabotage from Lin Biao and the "gang of four." This seriously affected production and weakened the material foundation for maintaining a basic stability of prices and rational readjustment.

After the downfall of the "gang of four," the Party Central Committee and the State Council decided in 1979 to increase the procurement prices of agricultural and sideline products by a wide margin in order to arouse the peasants enthusiasm in production and to promote agricultural production. With the exception of grain, edible oil and cloths, the market prices of eight other main nonstaple food items were raised, and the workers were given a price-increase allowance. Thus the general price level was raised to a new high. The margin of increase in the procurement prices of agricultural sideline products and in the market prices of the eight main nonstaple food items was also quite wide, and there had never been such an increase since the founding of the People's Republic. This had also quite an impact on the general retail price level because the retail price index throughout the country rose by 5.8 percent, being 1 percent higher than in normal years. Some comrades used this as a pretext to attack our price policy, claiming that the prices should not be stabilized and that the policy to stabilize prices would do more harm than good. We feel that the raise of procurement prices for agricultural products in 1979 was an important measure in readjusting the proportionate relationship of the national economy and that it did produce good effects in arousing the enthusiasm of the peasants and in playing a positive role of promoting agricultural production besides increasing the procurement and supply of agricultural products. There was no upheaval in the market and the people were not disturbed. It is true that there have been defects in the actual implementation of the policy, and we should sum up the experiences and correct the errors. The wide margin of increase had its historical causes. During the rampage of Lin Biao and the "gang of four," the national economy was brought to the brink of collapse, and the state did not have sufficient financial resources to readjust the procurement prices for these items had remained virtually unreadjusted for more than 10 years. Any readjustment that had been made was negligible. Therefore, problems continued to accumulate and the prices of agricultural products became seriously irrational. Since minor readjustments could not solve the problem, it required a major readjustment to promote production. If a minor readjustment had been

carried out each year, the change of the general price level would not have been so obvious. This precisely shows that the basic stability of prices and rational readjustment are inseparable from each other. As long as the relationship between them are correctly handled, the basic stability of prices can be maintained and the general price level will not be so drastically changed, or, as an alternative, remain unchanged at all.

II

The policy for the basic stabilization and rational readjustment of commodity prices cannot be worked out according to subjective desires, because it must have an objective basis and conform to the requirement of objective economic laws.

Some people held that failure to immediately and completely readjust the irrational prices that have been left over by history or produced by existing realities for the sake of maintaining a basic stability of commodity prices is contrary to the law of value, because according to this law, the prices cannot, and should not be stabilized.

How to understand this question? First, we feel that since socialist economy is built on the foundation of the system of public ownership of the means of production, the production and circulation of the main commodities should be planned, the role of the law of value should be restricted by the basic socialist economic laws, and we should let planned regulation play the main role without disregarding the regulative role of the market as a matter of policy. The price policy implied the policy of maintaining the basic stability of prices and carrying out rational readjustment. Such a policy should be based on not only the law of value but also other economic laws in order to meet certain political requirements. According to the policy of price stabilization, the temporary deviation of certain commodity prices from their value is consistent with not only the basic socialist economic laws, but also the law of planned and proportionate development and the law of accumulation as well as the requirement for preserving political stability and unity. Because of the law of average profit rate under conditions of capitalism, value is transformed into production price which means the deviation of commodity prices from its value. Under conditions of imperialism, the law for the quest for maximum monopoly profits also causes the deviation of monopoly prices from the value. Yet from the standpoint of the whole society, the general price of commodities still agrees with the general value, according to the law of value. Since the deviation of price from value can be permitted under the conditions of capitalist commodity production, why can't the same deviation be permitted under conditions of socialism? And why should price and value be always identical? The deviation of price from value may lead to a redistribution of economic benefits among various parties, and under the conditions of socialism, the parties concerned are the state, the collectives and the

individuals. Of course, we have to consider all three parties instead of only one, and that is why it is improper for the price to deviate from the value by a wide margin and for a long time.

Secondly, in order to stabilize commodity prices after permitting certain prices to deviate from their value in a planned way, the state offers the necessary financial or commercial subsidies to the enterprises that have suffered losses and made less profits on this account. Also, the transfer of profits between industry and commerce, the adjustment of the profit index, tax reduction, lowering the interest rates, and similar measures are adopted to protect the necessary economic benefits of the enterprises concerned precisely because of the requirements of the law of value. The choice between price adjustment or other financial levers to maintain the basic price stability has to depend on the actual political and economic requirements and the merits of each method in serving the entire economic development and in correctly handling the relationships of economic interests among various quarters. We cannot stress only the correspondence of price to value by ignoring the role of financial levers or by a wholesale rejection of the financial subsidy system as being entirely worthless. At present, many countries in the world, including developed capitalist countries, are granting certain government subsidies to back up the market prices of people's daily necessities and farm implements as well as the procurement prices for certain agricultural products, to serve certain political or economic purpose. If even capitalist countries can adopt this economic policy, why can't socialist countries do the same? Our government subsidies had defects in the past, because the amounts involved was too large and the time was too long. Furthermore, the methods used were too rigid. We should have set subsidy quotas, adopted the system of sharing what had been saved from losses, and offered certain material benefits to arouse the enthusiasm of the enterprises in reducing their losses; but we failed to take these measures. After reforming the methods of management, therefore, government subsidy as a temporary expedient should be still useful.

Thirdly, stabilization of commodity prices does not exclude rational readjustment at all; it only calls for planned and gradual readjustments at different stages. This does not mean disregard for the law of value; on the other hand, such readjustment is precisely based on the law of value, although, instead of being carried out immediately after the change of value, the readjustment has to wait until the irrational prices have already affected the price parity and obstructed production and circulation. Since commodity value changes by stages, it is objectively possible for readjustments to be carried out step by step. Another reason for this way of readjustment is that labor productivity does not change abruptly, and that for different products, the changes of labor productivity are not the same. Even though there may be a big change in the labor productivity in certain commodities, and in the value of these commodities, we can still plan for a minor readjustment each year so as to keep the change within limit, since ours is planned economy. Through gradual readjustments, the irrational

prices, left over from history or produced by existing realities, can gradually become rational. In dealing with the "scissor difference" between the prices of industrial and agricultural products, for example, we have adopted the policy of gradually raising the procurement prices of agricultural products and stabilizing the market prices of industrial products as a means of reducing the difference. From 1953 to 1957, the average procurement price of agricultural products was raised by 22 percent, and by 1958, the "scissor difference" was reduced to the average level of the period from 1930 to 1936, or before the War of Resistance against Japanese Aggression. Later on, for various reasons, the scissor difference was increased. However, if we will compare 1979 with 1950, we can see that because of the rise of procurement prices for agricultural productions by 165.5 percent--compared with an only 9.9 percent increase in the market price of industrial products in the countryside--a peasant with the same amount of agricultural products in 1979 had increased the amount of industrial products exchanged by 141.6 percent. Peasants have obtained great economic benefits from the way of pricing. In 1979, large increases of procurement prices for agricultural products further reduced the "scissor difference." Therefore, provided the prices are constantly readjusted, the government's burden in subsidizing for the stabilization of prices will gradually diminish instead of continuing to grow. The increase of market prices for eight nonstaple food items in 1979, for example, has reduced government subsidy for the commercial departments engaged in these nonstaple food items.

From this, we can see that the stabilization and rational readjustment of commodity prices by no means violate the law of value. Those who think that stabilization of prices does not conform with the law of value and that according to the law of value, prices should rise, are actually thinking of price stabilization in absolute terms instead of recognizing that such stabilization aims at only basic or relative stability. By separating the basic stabilization and the rational readjustment of prices from each other by affirming one and negating the other, these people are interpreting the policy of price stabilization one-sidedly.

III

The question of pricing is now attracting widespread attention and people are generally concerned about the possibility of price stabilization and the trend of the general price level, because they long for tranquillity and stability. Hereafter, price stabilization is not only necessary but also feasible, mainly because ours is a socialist country holding the economic lifeline in its own hands and in possession of great economic power to maintain the basic stability of prices. The rise of the general price level cannot be vertical; instead, there is a series of peaks and troughs tending to rise a little each year. To illustrate this point, it is necessary to conduct a concrete analysis to find out what are the factors in the rise of prices, what are the factors in the fall of prices, and what are the favorable conditions for price stabilization so that effective measures can be taken to maintain the basic stability of prices.

According to the present situation, the main latent factors in the rise of the general price level and causing price instability are as follows: (1) To further reduce the "scissor difference" between industrial and agricultural products, a continued rise of the procurement prices of agricultural products is necessary. It is also necessary to further increase the wholesale prices because wholesale prices of raw materials and fuel have for a long time been unduly low while the production costs of raw and semi-finished materials and fuel have continued to rise (because of the continued decline of high grade mineral reserves and the deteriorating conditions of mineral exploitation). The standard of living of the workers too has to be raised through the increase of wages. Therefore, along with the increase of the market prices of agricultural products and the increase of production costs for industrial products--particularly those light and textile industrial products using agricultural raw materials and those labor-intensive products--the wholesale prices have to be corresponding raised. The scale of charges by the maintenance service trade has also been raised. All these factors can affect the basic stability of market prices. (2) The interference and sabotage by Lin Biao and the "gang of four" caused a serious imbalance in our national economy and upset the balances between the supply of commodities in circulation. For a time, the supply of commodities was insufficient while the issue of currency was excessive. This produced an upward trend of the prices of consumer goods, and is another latent factor of price instability. (3) In restructuring the system of economic management by mainly depending on planned regulation, and at the same time attaching due importance to the role of market regulation, the prices of sideline, indigenous and special products of agriculture and some minor industrial items have fluctuated as a result of negotiated purchases and sales. Within a certain period, the prices of certain minor commodities can rise for a while because of insufficient supply to meet the demand. (4) To improve business management through strict economic accounting and by arousing the workers' enthusiasm, we have linked the business results of the enterprises with the material benefits of the workers. Following the introduction of the system of profit-sharing, some enterprises can no one-sidedly stress their own economic benefits under the pretext of following the law of value. Instead of improving their economic management, these enterprises may resort to the tactic of pricing and arbitrarily increase their prices, openly or in a disguised form, or try to pass their losses on to others in order to benefit themselves, or to increase the bonus for workers. All this can affect the basic stability of prices. In addition, price fluctuations in the world market can also affect the price stability in the domestic market to a certain extent.

Among the above factors, only the first one may have long-lasting effects, while the effects of the rest can only be temporary. These are only problems in the methods of our work and can be gradually solved.

The main factor in the lowering of the general price level is the possible reduction of the consumption of raw and semi-finished materials and fuel, and the gradual rise of labor productivity. The reduction of production

costs can lead to a reduction of prices. It is also possible that the increase of prices for raw and semi-finished materials and fuel will not be accompanied by an increase of their wholesale prices. At present, the waste of raw and semi-finished materials and fuel is rather serious. For example, our energy resource utilization rate is only 30 percent; the steel utilization rate by the machinery trade is only 50-60 percent, and the timber utilization rate is only about 50 percent. The consumption quotas among many enterprises are far above the international level and not even up to our previous best level. Therefore, there are great potentials to be tapped. Following the rise of labor productivity, commodity value should be correspondingly reduced, and this makes the reduction of prices objectively possible. The way for us to reduce the scissor difference between industrial and agricultural products is to accomplish agricultural modernization, to develop production with measures suitable to local conditions, to expand the diversified economy and to raise agricultural labor productivity. The raise of procurement prices for agricultural products and the reduction of market prices of industrial products used in agriculture are also an important measure for reducing the "scissor difference." After the increase of prices for raw and semi-finished materials and for fuel, industrial enterprises can also keep their production costs from rising, or even lower the production costs through tapping their potentials, improving their business management, increasing their output, improving the products' quality and reducing the consumption of raw materials and fuel. Thus they can increase their profits without raising the wholesale prices. This has been accomplished by many enterprises at present, and the Tianjin Bicycle Lock Factory is a typical example. This factory had to increase its expenditures by 88,000 yuan because of the increase of the prices of raw and semi-finished materials. However, it could manage to lower its production costs by 423,000 yuan which, besides offsetting the increased outlay brought about by the increased prices of raw and semi-finished materials, resulted in an extra profit of 336,000 yuan to be handed over to the state.

The main conditions favorable for the basic stabilization of our prices are as follows: (1) Because of the implementation of the eight-character policy of readjustment, restructuring consolidation and improvement, and the continued implementation of the policies on rural economy, the proportionate relationships among various departments of the national economy have become more coordinated; the enthusiasm of the broad masses of working people in production has been further aroused; industrial and agricultural production will be further developed; more commodities will be supplied in the market; the material foundation of price stabilization will be further strengthened; and there will be balances between government revenues and expenses, between the amounts of currency and commodities in circulation, and between the social purchasing power and the availability of commodities in the market. The basic stability of commodity prices can be maintained, and specific examples of this can be found in history. Because of the implementation of the eight-character policy of "readjustment, consolidation, filling-in and raising of standards" and the upholding of the three balances after 1962, commodity prices tended to decrease, and the margin of decrease was particularly

large for the sideline, indigenous and special products of agriculture. From 1963 to 1965, the retail price index throughout the country was reduced by 4.8 percent. The economic conditions now are better than they were in 1963, and our material foundation is stronger. Therefore, we are entirely capable of maintaining the basic stability of commodity prices. (2) We can plan the periodical readjustment of procurement prices of agricultural products and the wholesale prices of raw and semi-finished materials, and fuel, and see to it that the margin of readjustment is not too large. At the same time, we can lower in a planned way the prices of some consumer goods which are being highly priced and yielding high profits, so that under general conditions, the change of the general retail price index will be limited within 1 percent. It must be noted that after the large increase of procurement prices of agricultural products in 1979, there will be no big change for some time. The readjustment of prices of the eight main nonstaple food items has solved the long-standing problem of higher procurement than marketing prices, and the prices should remain stable for some time. (3) Negotiated purchases and sales of commodities are limited. When the supply is insufficient to meet the demand, the prices of certain commodities may rise. But this type of rise can only be temporary, because as soon as production develops, they will be lowered again. Furthermore, we have to strengthen the management and avoid impulsive actions which may lead to severe fluctuations. At present, the prices in the trade fairs are stable and some of them tend to become even lower. Therefore, we should not be alarmed by the temporary increase of certain prices resulting from negotiated purchases and sales. We must have confidence in the stability and even the reduction of prices when production is developed. Furthermore, the expansion of decision-making power for the enterprises will lead to "competitions" or "emulations" which may induce the enterprises concerned to boost their sales by reducing their profit margin. Under such conditions, instead of rising, the prices of many products will be stable or even reduced. (4) The improvement of business management, the reduction of consumption of raw materials and fuel, and the raise of labor productivity cannot all be accomplished overnight, and they must take their time. Before, then, the state can use the financial and other levers at its disposal to confine the chain reaction, caused by the increase of raw material and fuel prices, within a fairly small margin for a certain period, instead of allowing it to disturb the present market prices. This will help maintain the basic stability of prices. The procurement price of cotton, for instance, was raised in the past 3 years. To avoid disturbing the market prices and to maintain the normal operation of the enterprises, the state adopted the system of subsidizing the supply and marketing cooperatives. Since the prices of supplies for the factories remained unchanged, their economic benefits were not affected. When the wholesale prices for coal and iron were increased, the wholesale prices of iron required for the production of light industrial goods for the market remained unchanged, and the losses incurred by the iron-smelling plants as a result were charged to the implementation of government policies. (5) The majority of comrades understand and are in agreement on the need for maintaining the basic stability of commodity prices. Instead of raising wages, price and consumption, they advocate the necessary readjustment of

certain irrational prices on the basis of a basic stability of commodity prices. This is the ideological support for price stabilization. At present, the party and the government at all levels are more concerned with the question of pricing, and have strengthened their leadership accordingly. Pricing is now included in their meeting agenda. The broad masses are concerned with this matter too and have willingly played the supervisory role. The examination of prices has gradually become regularized and systematic. Furthermore, the departments in charge of pricing have been consolidated and improved, and disciplines concerning pricing are now stricter. All these factors will insure the basic stability of prices.

We must have due confidence in our ability to main a basic stability of commodity prices. Comrade Chen Yun said in a session of the Eighth CCP National Congress in 1956: "Since we were able to stabilize the prices before 1954, is it reasonable that we cannot do the same now when capitalist industry and commerce are all under joint public and private ownership, when handicraft producers and peddlers have joined the cooperatives and when the socialist economic power has been greatly increased? I am sure it can be done. We are entirely capable of maintaining price stability." Our socialist economic power now is much greater than what it was in 1954. Therefore, we are even more confident of our ability to maintain a basic price stability. In the course of accomplishing the four modernizations, we should, and are able to, discover a new way for the basic stabilization and rational readjustment of commodity prices in the light of realities in China and more closely follow the law of value in order to promote agricultural development and improve the people's living conditions.

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ECONOMIC JOURNAL DISCUSSES INTERNAL PRICE CALCULATION SYSTEM

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[Article by Finance Department of Shanghai Cotton Textile Industrial Company: "To Appraise the Effects of Enterprise Management According to Internal Price Calculation System"--passages within slantlines denote boldface type]

[Text] Editor's note: Since the implementation of the profit retention system, there have been enormous differences in the profit margins between various enterprises caused by unreasonable prices, thus some people are happy while others are not. The profit index actually cannot entirely reflect the level of management and operation of the enterprise. Therefore, under the conditions where an overall adjustment in the price structure cannot be carried out but the stability of prices must be maintained, it is worth trying to carry out internal price calculation. This is of great significance in correctly examining and appraising the fruits of enterprise management and correctly handling the interests of the state, enterprises and staff and workers, and consolidating and developing the fruits of system reforms. Moreover, the internal price calculation experiment also provides a basis for rational adjustment of market prices in the future. An article by the finance department of the Shanghai Cotton Textile Industrial Company is published here for study and reference by the relevant sectors.

One of the important contents of the reform of the economic management system is that we should adopt economic methods and use profits to appraise the economic achievements of enterprises. Withdrawal of enterprise funds based on a fixed proportion of profits (profit retention) can better integrate the economic interests of the state, enterprise and individuals. It is therefore very important to use profits as the index for appraising the economic results of enterprises. However, the

price structure in our country at present does not conform to this requirement. For a relatively long time, price has been divorced from value. The conditions of production have changed, the prices of raw materials have been adjusted, but there has been no corresponding readjustment in commodity prices, thus there are great differences in the profit margins in various industries and products, and some people are happy while others are not. Below is a comparison of the profitability of two cotton textile enterprises with a similar scale of operation for the year 1978:

In Shanghai No 11 Cotton Textile Plant which mainly produces cloth from pure cotton at comparatively low prices, there were 2,962 employees in 1978, 40,800 spindles and 1,004 looms and the profit submitted was 4.44 million yuan.

In Shanghai No 28 Cotton Textile Plant which mainly produces polyester and cotton cloth at relatively high prices, there were 3,316 employees in 1978, 43,200 spindles and 1,088 looms, and the profit submitted was 27.97 million yuan.

There is not much difference between the staff and installations in these two plants. However, there is a difference of five times in the profits because of the difference in prices of the products. Under these conditions, it is difficult for the profits in an enterprise to realistically reflect the effectiveness of management and operation and economic results. However, an overall adjustment of prices would affect the livelihood of the people. This is a complicated problem which cannot be solved instantly. Consequently, an internal price calculation system to eliminate the excessive difference between price and value and to make the profit reflect the economic results of the production and management activities of the enterprises as realistically as possible, is a workable method for correctly appraising the management conditions of enterprises before an overall adjustment of prices. The implementation of this method will help to stimulate initiative in enterprise operation and management, tap production reserves and accelerate the pace of the "four modernizations."

Recently, the test points for enterprise autonomy were increased and an important content is to delete profit retention according to profits. Two main problems have been encountered in the trial process. The first one is that the enterprises seek high profits and rewards. They work whenever there are high profits and do not work when there are no profits, thus there is an accumulation of products with high profits but no ready sale and there is a drain on supplies of products with low profits but a ready sale. Second, fine quality does not necessarily mean a high price. In order to satisfy export requirements and the needs of consumers, enterprises must vigorously improve the quality of their products and increase the variety of goods. In this way, enterprises have to expend more effort and increase expenditure. However, since the prices cannot be changed, the profits are decreased. Therefore,

enterprises may neglect to improve quality because of profit considerations. These conditions illustrate that the need for the implementation of an internal price calculation system is urgent and realistic.

How is the internal price calculation system to be drawn up? Internally calculated prices are prices especially drawn up for evaluating the effects of enterprise management. These prices are fixed according to the requirements of the laws of value, the standard production costs of the industry and standard profits which conform to the requirements of the average profit rate. This discards the unreasonable elements in the present prices and can be taken as a uniform measuring stick to assess the effectiveness of enterprise operation and management and compare the economic results of the enterprises and can also be taken as the basis for calculating the profit retention for the various enterprises. Internal price calculation is especially used for the settlement of accounts within the industry itself. Tax can therefore be excluded and its structure can be expressed in the following formula:

The internally calculated unit price of the product is equal to the standard unit production cost plus the standard unit profit of the product.

The standard unit production cost of the product can be generally divided into variable production cost and fixed production cost. Variable production cost varies according to the quantity of production. In the textile industry, it refers to raw materials, packing materials, sizing materials, motive force used in the technological process, processing cost other than that of the products and so on. Fixed production cost refers to costs and expenditure largely unrelated to the quantity of output and that is relatively stable, such as mechanical materials; fuel consumption, electricity charges, wages, supplementary charges, and so on. The standard production cost is based on the average level of production costs which the average enterprise can attain in the industry. In this way, enterprises with production costs below the average level in the industry will receive encouragement and enterprises exceeding the level will be penalized. The variable production cost takes the average amount of consumption as the basis. The fixed production cost selects the actual amount and the standard output within a certain period (a year or a quarter) in the industry and carries out calculation according to the uniform method of calculating production costs to arrive at the unit production cost for each item and each product variety.

There have been various means of fixing the standard unit profits for products over the years. There are three main types: average profit rate for production costs, average profit rate for wages and average capital profit rate.

/According to the average profit rate for production costs,/ the price is equal to the standard production cost multiplied by 1 plus the profit rate of the production cost. Value is created by live labor, but the means of production are also an indispensable condition for production.

The production cost reflects the consumption of material labor as well as consumption of live labor. The prices are fixed according to the profit rate of production costs and have taken an all-round consideration of the role of live labor and of the means of production. At the same time, production costs and profits are directly linked and have embodied the requirement that the socialist enterprises take the reduction of production costs as the basis for increasing profits. In the present work of price calculation, including textile products, the prices of many products are based on the profit rate of production costs. However, the portion of material labor in production costs is actually only the transfer of the value of the consumed means of production. It cannot create value by itself and the amount of production costs cannot accurately reflect the conditions of the means of production possessed by the enterprises or their contributions to the state. Take a large screw and a small screw for example; more material is needed for the large screw and the production costs are high. Less material is needed for the small screw and the production costs are low. However, it does not require less skill and manhours to manufacture the small screw. If the production cost is used to ascertain profits and rwards, enterprises will be induced to take up big pieces of work and not small pieces. In cotton textile enterprises, the raw materials for polyester cost 11 yuan per kilogram and the raw materials for pure cotton yarn cost 3 yuan per kilogram. The production cost for spinning 1 ton of 21S blended yarn of polyester and cotton (65 percent polyester and 35 percent cotton) is 8,727 yuan and this includes the wages of 401 yuan, while the production cost of 1 ton of 21S pure cotton yarn is 3,344 yuan, including wages of 396 yuan. The wages for the two are basically the same, and the difference in the cost of raw materials alone accounts for a difference of more than 1.6 times in the production costs. If we calculate production costs according to a uniform profit rate, the profit of the blended yarn of polyester and cotton will have to be 1.6 times the profit of pure cotton yarn. This proportional relationship obviously cannot correctly reflect the contribution to the state made by enterprises manufacturing different products.

/According to the average profit rate on wages,/ the price is equal to the standard production costs plus the costs of wages multiplied by the profit rate of wages. The profit rate of wages is taken to ascertain the principle that the profits conform to the value created by labor. The profit rate of wages discards the influence exerted on profits by the amount of material labor consumed and embodies the role of live labor, but neglects the role of the means of production, and in particular, the role of technical installations. In this way, the profits increase with an increasing proportion of manual operation which does not encourage progress in production technology.

/The profit rate on the average capital/ takes the amount of investment as the basis for obtaining profits and directly links up the amount of capital used with profits. Under the conditions where materials, technological equipment is playing a greater and greater role in the development

of social production, the calculation of price in accordance with the profit rate on capital encourages the adoption of new technology and increases the productivity of labor. However, it also suffers from the drawback that it neglects the role of economizing with live labor and does not stimulate the initiative of the workers.

It can be seen from the above analysis that all three types of profit rates possess attributes and shortcomings to varying degree. If any one profit rate is taken as the basis for calculation, it is difficult to correctly reflect the objective realities and contradictions encountered in the actual work cannot be resolved. We think that it is more appropriate to combine these three methods in such a way as to overcome their weaknesses and acquire their strong points.

Seen from our textile industry, according to the principle of returns on capital used, the state should impose a charge on the use of working capital and fixed assets and the charges should be calculated according to the profit rate fixed by the state. In addition, the state stipulates that the enterprises have capital for the development of production, welfare funds for staff and workers and reward funds for staff. The ratio is 4:3:3. Then according to the principle of the unity of rights and responsibilities, the source is determined by the demand and the ratio between the production development funds needed for renovation and improvement of fixed assets and the welfare funds and reward funds needed for developing labor efficiency and improving the workers' livelihood should be 4:6. As far as an industry is concerned, we think that this can basically be taken as the basis for ascertaining the profit rate on fixed assets and profit rate on wages in the system of internal price calculation. Profits are of a realistic nature. Therefore, the total profits of enterprises based on calculated prices should in principle conform to the total profits of the industry calculated according to current prices. What is changed is only the unreasonable profit rate between enterprises and between the products. The use of internal price calculation is in fact the reallocation of profits within industry, based on profit calculation according to products and enterprises. Take a cotton textile company for example:

/Allocation according to capital:/ The total sum of working capital per annum is 220 million yuan. The annual profit is 7.2 percent and the utilization charge per annum is 16 million yuan.

The total amount of the fixed assets is 700 million yuan with a tax rate of 12 percent per annum and based on an average utilization charge, the amount charged for using the fixed assets is 42 million yuan. The total of the above amounts to 58 million yuan.

The total amount of profits for the whole company is 530 million yuan per year. After the deducting the charge for the allocation of the above capital, we are left with 472 million yuan. According to the analysis

of the ratio of 4:6 concerning utilization of this capital, the profit on fixed assets is 189 million yuan and the profit on the labor force is 283 million yuan. In sum:

Profit on the working capital	16 million yuan:	3 percent
Profit on fixed assets	231 million yuan:	43.6 percent
Profit on wage fund	283 million yuan:	53.4 percent
Total	530 million yuan:	100 percent

In the allocation of profits based on the proportion of these three parts, the remaining part after submission of the stipulated amount to the state can conform to the requirements of the various expenses of the cotton textile industry and the various enterprises so that a basic balance is maintained in the income. This then creates favorable conditions for bringing into play the role of independent management in the enterprises in shouldering responsibilities for their own losses and gains and stimulating the initiative of all staff and workers at every level in the organizations.

How are the profits of an industry to be computed in terms of profits attributable to specific products? This can be obtained from the total production costs of the various items throughout the industry.

/The portion of fixed assets:/ The profit allotted is 231 million yuan. The total sum of depreciation on the fixed assets is 31.1 million yuan a year. Then the profit on each yuan of depreciation charge in the production costs should be 7.42 yuan.

/The labor force portion:/ The profit allotted is 283 million yuan. The total wages for the whole year are 132 million yuan. The profit on each yuan of wages in production costs should be 2.14 yuan.

/Portion of working capital:/ The profit allotted is 16 million yuan. The total amount of consumption of raw materials in the working capital for the whole year is 0.145 million yuan. Then the profit on each yuan of raw materials in the production costs should be 0.011 yuan. Since the production period in the spinning mill is different from that of the spinning and weaving mill, according to the difference in the turnover period, the profit on each yuan of raw materials for cotton in the production costs in the joint spinning and weaving enterprise should be 0.014 yuan.

Take for example the standard profit for every 100 meters of 38"4040 x 13372 poplin. If the standard depreciation cost is 1 yuan, then the profit on the fixed assets is 7.42 x 1 yuan which is equal to 7.42 yuan per 100 meters.

If the standard cost of raw materials is 52 yuan then the profit on the working capital is 0.014 x 52 yuan which is equal to 0.70 yuan per 100 meters (Note: The proportion of raw materials is not great, so we are brief here.)

If the standard wages are 4 yuan, the profit on the labor force is 2.14 x 4 yuan which is equal to 8.56 yuan per 100 meters.

The standard profit on 100 meters of that product is equal to the standard profit on the fixed assets plus the standard profits on the working capital plus the standard profit on the labor force which is equal to 7.42 yuan plus 0.70 yuan plus 8.56 yuan equals 16.68 yuan.

The internal calculated price of that product equals 57 yuan plus 16.68 yuan equals 73.68 yuan.

The use of the internally calculated price greatly reduces the differences in the profit rate between enterprises, so it basically regulates the fixed assets, working capital and labor force, allowing them to play their proper role, and compensates for other expenses. Thus changes in product variety will not bring about a great increase or decrease in the profits of enterprises which thus reduces and eliminates the obstacles to the development of product diversification.

When the internally calculated price is divorced from the market price, the price lever has more flexibility and it is possible to attain superior quality at a competitive price with a profit, consciously make use of the price lever in accordance with the law of value and improve the quality of products and promote the development of products in urgent demand and short supply so as to regulate the relationship between supply and demand on the market. We can raise the price of good quality products and varieties for which there is a ready market and reduce the price of unmarketable goods of inferior quality so as to combine a balanced plan with a regulated market and unify the economic interests, results and responsibilities of the enterprises so as to mobilize the enterprises to further develop production. Generally speaking, it is necessary to encourage products of famous brands and award-winning products and increase the originally calculated price by 1 to 3 percent. On the one hand, this can compensate for the extra manpower and material resources required to improve the quality and on the other hand, this can promote the beneficial use of good materials and the use of materials according to demand and overcome the present phenomenon of waste. The increase in price by 1 to 3 percent of products in short supply and urgent demand can on the one hand compensate for the losses inflicted on enterprises by alterations and on the other hand can meet objective demands. We can reduce the price of unmarketable products by 1 to 3 percent so as to restrain them and cause the situation to subside, eliminate accumulation and accelerate the turnover of capital.

The internally calculated price is more reasonable and very suitable as a basis for comparison. It can be used for examining and appraising the enterprises and prompting the enterprises to develop emulation drives, tap reserves, increase production and practice economy. We should set the standard profit and planned profit (excluding incomparable profits

and losses outside the business operation) at regular intervals as the basis for appraising the economic results of the management and operation of the enterprise. The formulas for its calculation are:

The standard total calculated profit is equal to the sum of the internally calculated price of the product minus the standard unit cost multiplied by the standard output.

The standard output is equal to the sum of the installation multiplied by the working hours multiplied by the standard turnover rate multiplied by the standard output.

The total planned calculated profit is equal to the sum of the internally calculated price of the product minus the planned unit cost multiplied by the planned output.

Then the total profit is actually calculated monthly and quarterly, the formula being:

The actual, calculated total profit is equal to the sum of the internally calculated price of the product multiplied by the adjustment rate of the quality, variety and price minus the actual unit cost multiplied by the actual output.

This can evaluate whether the plans are fulfilled and can determine the extent of the increase or decrease over the standard profit so as to appraise the effects of the management of the enterprise. The formula for this is:

The rate of increase or decrease over the calculated profit of the enterprise is equal to the actual total calculated profit of the enterprise minus the standard total calculated profit of the enterprise divided by the standard total calculated profit of the enterprise multiplied by 100 percent.

The more the calculated profit of the enterprise is exceeded, the better are the results of enterprise management. If it falls below the standard amount, it reflects that the results of operation are poor. This comparison is very simple and clear and can be taken as an important measure for appraising whether an enterprise is good or bad.

The use of internally calculated prices helps the implementation of profit retention and closely links up the interests of the state, enterprise and individuals. With profit retention, the enterprise can take a portion of the retained sum for rewarding the workers. According to the method of the cotton mill, under the prerequisite of fulfilling the plans, a basic profit retention based on the basic retention rate can be taken in accordance with a standard profit to meet the basic needs of the expenses of the enterprise, such as the funds required for developing

production and the normal expenditure on staff welfare and rewards. In addition, super profit retention based on a super retention rate can be taken in accordance with super profits. The super retention rate should exceed the basic retention rate (normally double). Super retention is mainly used to encourage staff to make contributions to the enterprise and at the same time properly increase the funds for developing production. According to the 4:3:3 ratio of funds for developing production, welfare funds and reward funds, the funds for developing production in the basic retention should exceed those used for reward funds because it is relatively easy to fulfill the plans. In super retention, the funds for developing production can be less than those used for rewards because it is more difficult to exceed the stipulation and the workers need to put in more effort. Since profit is closely linked to utilization, the various enterprises, in implementing profit retention according to an internally calculated profit, can meet the requirements of the allocation of retention sums. This can solve the problems of unreasonable allocation and discontent among the enterprises and can conform to the principle of distribution to each according to his work.

The practice of the cotton mill and the development of the use of internally calculated prices in particular obviously promotes production industry. A warm emulation drive can be developed by the various enterprises and gradually, instead of the work being grasped by the upper levels, the staff and workers will grasp the work consciously and comprehensively and this will further mobilize the initiative of the staff and workers of the enterprise. In the past, the industries, internal organizations of enterprises and departments managed and grasped things themselves and without properly considering economic effects. Often technology and economy could not be integrated and there was much wastage. Now greater, faster, better and more economical results have been integrated through profits. In addition, profit retention has been implemented, thus giving impetus to the close coordination between technology and economy. As long as everybody pays attention to the economic results, this will further promote economy and reduce waste.

Since the implementation of standard costs and standard profits in 1979, under the prerequisite of consolidating and improving quality, the profits from industry have been increased from one quarter to the next. The third quarter was formerly an unfavorable period with low production in the cotton industry and high production costs. However, we have shattered all normal standards. The profit has exceeded that of the two preceding quarters. There was no slackening in the fourth quarter and the third quarter was again surpassed. This year, we continued to implement profit retention according to internally calculated prices. In the first quarter, we again shattered normal standards and surpassed the fourth quarter of the previous year, attaining our best level ever. In order to prove the rationality of internally calculated prices, the cotton company compares and contrasts the scale of operation, product variety and production costs in its affiliated enterprises and the profit rate is basically

balanced. Based on an analysis of the profits according to the facilities in the units, although the product varieties in the various plants are different, the profits are similar. Analyzed according to the workers' bonuses, despite the differences in the scale of operation of enterprises and their product varieties, the levels of bonuses are similar. For example, there was formerly a difference of 5 times in the profits of No 11 plant and No 28 plant. But now, there is only a difference of 10 percent. This already conforms more to objective reality. Analyzed according to the production costs, the standard production costs and the actual production costs of the various items in the various plants are also proportional and this shows that there is a certain rationality in the internally calculated prices of the cotton company. Since objective reasons such as unreasonable prices have been dispensed with, the differences in the subjective efforts of the enterprises and some problems caused by the neglect of economic results in the past have been exposed. This is very favorable toward promoting enterprise production and improving management and operation. For example, the output level, the amount of production costs and the number of employees have been revealed through the analysis of profits. The employment of people in the past tended to be a bit excessive. Now, we are not willing to employ an excessive number of people and energetically raise the low output level. In the reform of looms for wide cloth, in the past, the planning was done by the company and the instructions carried out by the enterprises, but no one was previously held responsible for the economic results. Thus for a long time the looms for wide cloth have been weaving products of a narrow width. It was at first thought that reform would bring about results. The settlement of accounts now shows that the output and the profits have both decreased and the enterprise has had to raise the question as to who should shoulder the economic responsibilities and request the assignment of the production tasks of wide cloth at the time of making arrangements for wide cloth looms, so as to avoid a reduction in the profits of enterprises. This has thus prompted the consideration for economic results and comprehensive and balanced work in the course of technological reforms.

The practice of the cotton mill above has proved at a preliminary stage that the use of an internally calculated price system is a workable method under the present conditions where the commodity prices cannot be easily adjusted and it can also provide a reference for price reform work in the future.

CSO: 4006

ECONOMIC JOURNAL DISCUSSES GOODS CIRCULATION

HK031335 Beijing JINGJI GUANLI in Chinese No 7, 15 Jul 80 pp 31-33

[Article by Li Kuang [2621 3552], deputy leader of the Sichuan Provincial Commodities Office: "Some Views on the Activation of Goods Circulation."]

[Text] There are quite a number of problems in the realm of goods circulation. It is not uncommon to discover that the supply of many goods is so short that the needs of society cannot be satisfied while on the other hand, there is such a tremendous overstock of other goods that the enterprises concerned simply cannot market them. Why is this so? I think there are a multitude of reasons, including miscalculations in overall balance and incompetent planning. Certain enterprises might care too much for fulfilling the output value, output and profit plans laid down by the responsible departments so that they simply neglected the marketability of their goods. Or, it may be due to certain features in the goods management system that are not in conformity with objective economic laws.

Here, I would like to put forward some preliminary viewpoints on how to activate goods circulation realistically before fundametal reform of the national resource management system can be made.

1. Excessive and overrigid control of goods distribution within the plan should be rectified. The scope for centralized distribution of goods should be reduced. For the majority of goods, the method of supply by planned distribution should be replaced by distribution through goods enterprises. For instance, there were 356 items of common goods distributed by the Sichuan Provincial Planning Commission and the Provincial Resource Bureau. From this year, with the exception of 56 goods items that are to be centrally distributed, the rest of the 300 items are to be distributed by goods enterprises instead. The practice of giving instructive distribution quotas from above has been abolished. In this way, the distribution and supply of goods can be more realistic. Such a measure can also provide greater flexibility for improving the goods supply and management.

Ever since the economic readjustment, three methods have been adopted with regard to resource management. The first method is to continue centralized distribution of a few important goods vital to the development of the national economy and on products with a quick return. These goods are subject to central planning at the provincial level so as to incure the overall balance of the proportional relations of the national economy. The second method is to distribute the majority of goods, previously distributed centrally, through goods enterprises. Although quite a number of goods are thus affected, the present supply of such goods is adequate to insure a satisfactory level of supply. Ever since the adoption of such a method, the production plans of enterprises have primarily been based on social needs as reflected by the resource departments. The third method is to allow certain goods to be marketed by the production enterprises themselves. Or, alternatively such goods can be distributed or sold by goods enterprises. These goods are primarily third category industrial and mineral products produced locally. They may also include products or trial products produced as a result of increased production after fulfillment of the production plan and supply contract prescribed by the state.

The implementation of such a reform has replaced the previously unitary system of distribution with a number of more flexible forms of distribution. This provides more initiative to production and resource management enterprises with regard to the arrangement of production, marketing of goods and organization of supplies. This plays a positive role in the activation of goods circulation.

2. Under the guidance of national planning, bring the regulating effects of the market into full play. At present, in the process of bringing the regulating effects of the market into play, many enterprises are very enthusiastic about marketing their own goods. The marketing of goods by the enterprises themselves has positive effects on promoting the concern of the enterprises for the marketability of their goods. It also has positive effects on the improvement of goods quality, increase of varieties, reduction of production costs, the shortage of supply in certain enterprises, the development of production and the activation of the market. The marketing of goods by the enterprises is a form of market regulation. But as to how this form of market regulation can best perform its supplementary role under the guidance of national planning, it still has to await generalization based on continuous practice. At present, many enterprises are arranging their production tasks through advertisement, exhibition stalls and sending out agents to promote the sale of their goods. However, I do not think this is a permanent solution. Not only is it a waste of human, material and financial resources, it also disrupts production and adversely affects national planning. In this respect, the resource department is the bridge and link between production and consumption. It should, in accordance with national planning and social needs, make full use of its advantages in providing organized guidance and assistance to enterprises to carry out market research.

The resource department can make full use of its existing structure and network and positively shoulder the distribution and sale of goods of the production enterprises. For instance, in our province, there are over 300 goods enterprises at the county level and over 600 supply points and salerooms. This basically constitutes a sales and supply network. These points within the network have extensive connections and many years of business experience behind them. Through the means of distribution and sale, these points within the network can bring diffused and scattered needs together and blend them into an entity. This is far better and more economical than allowing production enterprises to sell their goods thus putting them directly in contact with thousands of households. Furthermore, this also releases the enterprises from the burden of selling their goods and enables them to concentrate on promoting production. This will help to increase their competitive power through improved quality, increased diversification and reduction of production costs so that market needs can be satisfied.

Furthermore, various kinds of goods exchange, credit and servicing departments can be established and improved to provide permanent trading, exhibition and sales facilities to enterprises. In certain large and medium cities, this kind of exchange should be expanded into trading centers, industrial production information centers and service centers which help to bring the production of enterprises closer to consumer needs. For instance, in the city of Chengdu, the Sichuan Provincial Production Information Service Company has already established a service department. This service department helps production enterprises to exhibit, sell and distribute their products while at the same time helps enterprises and consumers to purchase goods. Such an experiment has produced good results. Its advantages are as follows: First, it provides facilities for regular conferences of the production and consumption sides. Second, it can promote competition and technological exchange between enterprises through the exhibition of goods. Third, it provides a better understanding of the fluctuation in supply and demand relations so that planning and production departments can improve their dynamic equilibrium. This also provides a basis for the formulation of plans. Fourth, it can gradually reduce the need of a large number of purchasing and sales agents and save a lot of money for the enterprises.

Of course, this does not mean that enterprises cannot sell their products through other channels. This is especially so with smaller enterprises and brigade enterprises. Resource departments should also help them to find markets and improve the sale of their products. No matter what form of marketing the enterprises adopt, it should not affect the fulfillment of national planning and marketing contracts. Nor should "quick return" products within national planning be sold alongside "slow return" products under the name of market regulation merely for the sake of selling the "slow return" products or to obtain extra income. This is contrary to the interests of national planning. Instead, we should correctly bring the positive role of market regulation into full play under the guidance of national planning.

3. In the circulation of goods, the irrational practice of allocating goods according to administrative divisions and the system to which an enterprise belongs should be replaced by goods allocation according to economic divisions. At present, the distribution and supply of goods is basically carried out according to administrative divisions or the system to which an enterprise belongs. Such means of circulation will inevitably bring along the establishment of warehouses and reserves at every level and in every household. This will lead to an even larger increase in the goods being stored in society and intensify the seriousness of overstocking. In recent years, the clearing of stores and warehouses has been remarkably successful. However, the social goods being stored have not only not been reduced, they have been contantly on the rise. As soon as the old stock is cleared, new stock begins to pile up. This sort of management style has been an important factor in the constricted circulation and serious overstocking of goods. If we say that the power for the distribution of goods is overconcentrated; then, on the contrary, it is too diffused in supply, storage and circulation. This has resulted in too many circulation links and serious transportation problems. For instance, the greater part of the steel produced by steel plants in the Chongqing area is transported to Chengdu to be distributed to enterprises throughout the country. Just this single item has incurred the unreasonable sum of 500,000 yuan for transportation. The province annually consumes more than 100 million yuan for goods movement. At least 10 percent of the transportation cost can be saved if the flow of goods is more rational and the allocation more flexible. That amounts to more than 10 million yuan, without taking into account the cost incurred by irrational goods movement within the various departments.

If such irrational situations are to be rectified, the limitations imposed by administrative divisions and the systems to which the enterprises belong should be removed. Supply networks should be set up within a reasonable radius for transportation in accordance with economic divisions. Large consignments of goods should be transported directly to the consuming unit by the suppliers. Small consignments should be supplied by the supplying depots of the resource departments. Such supply depots should order goods in large consignments and give them to nearby enterprises. In order to achieve this, quotas for planned distribution should only reach the level of the leading departments or regions, whereas supply quotas should reach the factory level. In terms of management, resource departments at various levels should centralize their financial accounting and resource allocation, rationalize the stores of their warehouses and extend their operation to different regions. This should be done on the basis of not upsetting the existing subordinate relations of goods enterprises, insuring ownership and control over the goods by the local authority and allowing the local authority to retain the surplus. Then, the consumer units can buy their goods at places most convenient and economical for them without being limited by any system or administrative divisions. Not only can this reduce overstocking in the warehouses

of the enterprises, but it can also reduce the number of intermediary links, avoid unnecessary transportation, save energy and transportation fees and speed up the circulation of goods.

4. Resource departments should be managed like enterprises and resource work should be done by economic means. For many years, resource departments were basically run by administrative means. Profit or loss was taken care of by finance departments and the performance of resource management bore no direct relation to the material interest of the management units and their staff. This year, the resource departments of Sichuan Province experimented with the retention of surpluses by the resource enterprises. As long as the burden of the production enterprises is not increased through additional charges, the income of resource enterprises should be commensurate with their management performance and contribution. It is likewise with the material interests of the enterprises and their staff. This can greatly mobilize the enthusiasm of the enterprises and their staffs in management.

When a resource department is run in the manner of an enterprise and uses economic means, it can charge service fees for its services. On the other hand, it can also shoulder a certain degree of economic responsibility for its service. This will spur the resource enterprises to improve management through every means. That is to say, they will try to purchase superior goods, supply goods at the right time, improve their service, accelerate goods circulation, economize on their expenditure so as to provide the best service and seek what is in their best economic interest. This kind of competition in the realm of circulation will in the long run spur competition among production enterprises. This will have the effect of spurring the development of production and technology. It is also beneficial to spurring the resource enterprises to improve the attitude of their services, improve their service and overcome their bureaucratic style.

It is reasonable for resource enterprises to charge a certain fee for their services. However, we must see to it that there is a proper relationship between services and the charges for such services. The idea that service comes first must be clung to. Charges should be as low as possible and the state's price policy and standard of charges should be strictly adhered to. Only thus can we activate the circulation of goods in the right direction and the resource enterprises develop continuously.

CSO: 4006

ECONOMIC PLANNING

BEIJING PROVIDING BANK LOANS FOR PRIVATE BUSINESSES

OW130718 Beijing XINHUA in English 0705 GMT 13 Aug 80

[Text] Beijing, August 13 (XINHUA)--Beijing now supports individual service businesses by providing them with loans and allowing them to take on apprentices.

This follows the decision of the municipal people's government to encourage retired workers and young people awaiting jobs to open their own businesses in order to meet social needs and supplement state-owned services.

Up to now, only two individual businesses have received bank loans. There are now over 900 household businesses in the city in about 48 trades. They include barber shops, launderies, cleaning and dyeing, tailoring, knitting and repair shops.

Wang Jilong, a 53-year-old skilled knitter, began a sweater-knitting service in early 1950's. During the Cultural Revolution he was forced to change his trade to shoe-repairing. Recently he was encouraged to re-open his sweater business.

He got 500 yuan from a local bank and purchased a knitting machine. With the help of his family members, he grosses about 250 yuan a month. After paying business tax, he earns a monthly income of 130 to 140 yuan. He will pay back the bank loan by the end of this year.

"My customers can order the style of sweater they want," Wang Jilong said, "and I try my best to do good work."

A spokesman for the commercial credit section of the Beijing branch of the People's Bank of China told XINHUA that this was the first time a bank loan had been provided to individual businesses since 1956. "This is just the beginning of a program to support individual or family businesses."

"The principle on which such loans are extended," said the spokesman, "is that the type of business or service must be in short supply, such as tailoring, sweater-knitting and redoing of quilt padding, that the

applicant be a Beijing resident and holds a business license issued by the district bureau of industry and commerce, that clear records of income and expenses be kept and that the business be conducted in conformity with state policies."

He said that generally loans are in small amounts around 1,000 yuan and are repayable within one year. The monthly interest rate is 0.42 percent, the same as for other industrial and commercial enterprises.

The bank spokesman stressed that the borrower must use the money to buy the things specified in his application. If he is found to have used the loan for other purposes or for speculation, the loan will be recalled through the guarantor. If the debtor fails to pay back the loan on time, legal means will be brought to bear.

CSO: 4020

PRIORITY INCREASE OF MEANS OF PRODUCTION DEFENDED

Beijin JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 80 pp 37-41

[Article by Wu Xiangzhong [0702 6343 1813] and Chen Bogeng [7115 0130 1649] of Shanghai Normal University: "Has the Theory of Priority Increase of the Means of Production No Effect on Socialist Economy?--A Discussion with Comrade Zhu Jiazhen [2612 1367 2823]"]

[Text] JINGJI YANJIU [ECONOMIC RESEARCH] No 12, 1979 carried Comrade Zhu Jiazhen's article "Does Priority Increase of the Means of Production Suit the Laws of Socialist Economy?"[1] which held that the theory of priority increase of the means of production suits only capitalist development at a certain stage, but not socialist economy. Apparently, this conclusion is directly related to the interpretation of the basis of this theory. Is the theory of priority increase of the means of production actually determined by certain relations of production or by the development of productive forces? Comrade Zhu Jiazhen's answer was vague. One part of his article said: "In the course of capitalist development, the law of priority increase of the means of production is decided by the capitalist mode of production." But another part of the same article said: "During the change of economic conditions even under the capitalist system, the law of priority increase of the means of production does not always apply." Obviously, the change of economic conditions here means the change in the development of productive forces instead of the change in the relations of production. If this theory is determined by the capitalist mode of production, then how can technological progress change the capitalist nature? If it is claimed that this was determined by the development of production techniques, then it has nothing to do with the nature of the mode of production; at least, the nature of the mode of production cannot play a decisive role. Thus his article has become self-contradictory.

I

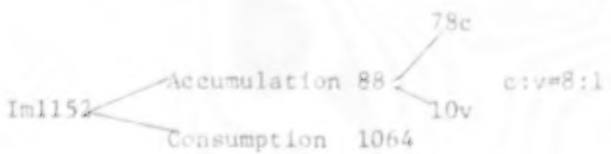
The theory of priority increase of the means of production was first introduced by Lenin on the basis of Marx's theory of the reproduction of the total social capital, and after considering the factors in the rise of the

organic composition of capital under conditions of technological progress. Lenin pointed out: "This conclusion is directly based on a universally accepted theory: Capitalist production has contributed to the development of technology at a speed hitherto unprecedented."[2] Provided other conditions remain unchanged, the rise in the organic composition means the demand of accumulation is more urgent for the means of production than it is for consumer goods, and to comply with this demand, the priority in production should be accordingly adjusted. Comrade Zhu Ziazhen designed a model in an attempt to prove that even though the organic composition is raised, there is no need for the priority increase of the means of production just because of accumulation. This model is not valid, because it cannot help Comrade Zhu Jiazhen prove his point. On the contrary, it proves that when the organic composition is raised, expanded reproduction would be impossible without priority increase of the means of production.

Comrade Zhu Jiazhen showed his calculations for only 3 years. If we will let the model run on for another 3 years, then we can see the problem.[3]

Fourth year: I 4870c+1152v+1152m=7174

II 2020c+463v+463m=2946



Accumulation rate 8 percent

I4946c+1162v+(1064m)=7174

II2226c+489v+(231m)=2946

Fifth year: I4948c+1162v+1162m=7272

II2226c+489v+489m=3204

Iml162 No accumulation possible; all used for consumption

Accumulation rate 22.1 percent

I4948c+1162v+(1162m)=7272

II2324c+499v+(381m)=3204

Sixth year: I4948c+1162v+1162m=7272

II2324c+499v+499m=3322

I(v+m)=1162+1162=2324

IIc=2324

From this, we can see that in the fifth year, accumulation was impossible because the first category cannot supply any means of production for this purpose. In the sixth year, the whole society can only maintain simple reproduction since accumulation is impossible. Therefore, this model cannot serve Comrade Zhu Jiazhen's purpose in proving expanded reproduction, because it cannot prove that "technical progress, the rise of organic composition, and the priority growth of the first category are not necessarily related." On the contrary, it proves that technical progress and the rise of organic composition are impossible without the prior growth of the first category. If things will go on according to Comrade Zhu Jiazhen's model, the society will some day come to a complete halt instead of making any progress. This is contrary to the law of historical development, and neither socialist nor capitalist history can turn out this way.

The model designed by Comrade Zhu Jiazhen is applicable for 3 or 4 years simply because at the very beginning, the first category has already had sufficient priority growth. The annual output of the first category is 6,000, and the second category output is only 2250. It shows that this model is already predicated on the priority growth of the means of production. How can the use of such a model to disprove the need for priority increase of the means of production be convincing? If the first category is excessive as compared with the second category, then, within a certain period, it would be appropriate for the growth of the first category to slow down (even down to a point below the speed of the growth of the second category), and expanded reproduction based on a raised organic composition is still possible. But this would be an extraordinary case.

II

In demonstrating the theory of priority increase of the means of production, Lenin assumed that accumulation began from the first category, and that accumulation for the second was passive. This assumption suits the nature of capitalist social reproduction. Since the purpose of capitalist production is the quest for surplus value instead of the satisfaction of people's needs, the increase of consumer goods cannot become the starting point of the entire social accumulation.

The beginning of accumulation from the first category is different from the priority growth of the first category. Nor is there any element of causality between them. The former shows the order of accumulation in the two categories which is determined by the nature of the relations of production; the latter shows the distribution of the amount of accumulation between the two categories which is determined by the change in the organic composition, or the development of the productive forces. If the organic composition continues to decline year after year, then accumulation cannot begin from either category, and there can be no priority increase of the means of production. Let us use the model of reproduction familiar to everyone as an example:

First year: I4000c+1000v+1000m=6000 c:v=4:1

II1500c+750v+750m=3000 c:v=2:1

Im1000 — Accumulation 500 (375c, 125v) c:v=3:1

Im1000 — Consumption 500

Accumulation rate 50 percent

IIm750 — Accumulation 250 (125c, 125v) c:v=1:1

IIm750 — Consumption 500

Accumulation rate 33 percent

I4375c+1125v+500m=6000

II1625c=875v+500m=3000

Second year: I4375c+1125v+1125m=6625

II1625c+875v+875m=3375

Accumulate rate:

First Category (6625-6000)÷6000=10.4 percent

Second Category (3375-3000)÷3000=12.5 percent

Here, accumulation begins from the first category, and the accumulation for the first category is higher than that for the second category. But the rate of increase is higher in the second category than in the first category. If the model is altered to show an annual raise of the organic composition, the result of the computation will exactly demonstrate the theory of the priority

increase of the means of production. Provided there is a rise in the organic composition, priority increase of the means of production is necessary even though accumulation begins from the second category; otherwise social reproduction will be difficult. This also shown in the model designed by Comrade Zhu Jiazhen.

III

The goal of socialist production is entirely different from that of capitalist production, because in the case of socialist production, the means of production only serves as a means of meeting people's consumption. Therefore, socialist accumulation should begin from the second instead of the first category. From the above analysis, we have already shown that the order of accumulation has nothing to do with the question of priority increase of the means of production. Therefore, there is no contradiction between the basic socialist economic laws and the theory of priority increase of the means of production.

The law that the national economy should develop in a planned and proportionate way is a special law of the socialist mode of production, and the system of socialist public ownership and socialized mass production is the material foundation of this law. According to this law, the national economy should develop in a planned and proportionate way instead of relying on competition and crises to maintain its equilibrium as in the case of capitalism. This law calls for only planned and proportionate development, but does not specify the contents of the proportion. The theory of priority increase of the means of production simply affects the contents of proportion, and is not concerned with the method used to achieve the proportionate development or with whether the required proportion is obtained in a planned or haphazard way. Incidentally, we may point out that in Comrade Zhu Jiazhen's opinion, the law of priority increase of the means of production under capitalist conditions would disrupt the objective proportionate relationship of the national economy. This statement deserves discussion. In fact, under capitalist conditions, the imbalance between the two major categories is determined by the law of surplus value. Therefore, what his article said about the "essential contradiction between the priority increase of the means of production on the one hand and the basic socialist economic laws and the law of planned and proportionate development on the other" is incorrect.

Imbalance between the two major categories under the socialist system occurs because people do not follow the objective socialist economic laws and the failure to follow the law of priority increase of the means of production is one of the causes. This imbalance can be manifested as either the excessive increase or the serious shortage of the first category products. If the imbalance manifested as the excessive increase of the first category products is a negation of the objectiveness of the law of priority increase of the means of production, then will a serious shortage of first category products, if this should ever happen, confirm the objectiveness of the same law. Obviously this is improper.

The theory of priority increase of the means of production is determined by the rise of the organic composition, which generally takes place along with the progress of technology. Should it ever happen that technology progress fails to bring about a rise of the organic composition, the theory of priority increase of the means of production will become inapplicable. Therefore, the key to the study of the special features of the law of priority increase of the means of production lies in an analysis of the features of change in the organic composition under the socialist system.

When analyzing the changes of the organic composition under conditions of capitalism, let us assume that the value of a unit of labor power is invariable. The material substance constituting the value of labor increases along with the development of the social economy, which in turn leads to a decline in the value of consumer goods. It is not unreasonable to assume that the levels of material consumption by a unit of labor power and the value of consumer goods can be invariable. Because of the basic socialist economic law under the socialist system, the material substance consumed by a unit of labor power should continue to increase with the development of the productive forces, and there is no further restriction from the concept of labor power as a commodity. Such a situation will slow down the rise of the organic composition and then lower the priority for the increase of the means of production. If there is no rise in the organic composition, then it would probably be unnecessary for priority increase of the means of production. Therefore, the oversimplified and sweeping statement that "objective socialist economic conditions have made the law of priority increase of the means of production inapplicable" is incorrect.

Under conditions of socialism, except for the portions corresponding to v where we must consider some factors which do not exist, or can be dismissed as abstractions under conditions of capitalism, the same situation exists in the portions corresponding to c and m.

There is no element of organic composition in m, but m has proportionate relationship with such an element, and this proportion is m'. In analyzing capitalist reproduction, m' is supposed to be invariable. Under conditions of socialism, the net output value is classified into remunerations for the laborers (v) and net social income (m). Supposing that the v of a unit of labor is invariable, m' ($\frac{m}{v}$) will rise along with the rise of labor productivity. If the m' of the first category is raised, then it will mean that part or all the means of production required for expanded social reproduction will be supplied by the raised labor productivity of the existing enterprises of the first category instead of the expanded scope of production through additional investments in the first category. If the same condition exists in the second category, then no additional means of production is required for expanded social reproduction, and thus priority increase of the means of production will not be required as a rule for expanded social reproduction. Whether or not such a priority increase is necessary depends on the growth of m' in both major categories.

As to c, our discussion has actually dealt with the portion consumed in reproduction, or the portion of transferred value. The consumed c is not the same as the c taken up, because under ordinary conditions, the latter should be several times the former. In other words, in the process of reproduction, the difference in I(v+m) $\rightarrow$ IIc is only the expended portion of c but not the c taken up. In order that the value of this portion of c will become part of the value of products in the planned period, the amount of means of production must be several times larger than this portion of c. Therefore, the actual organic composition should be much higher than what is shown in the model.

There is another situation about c which should be considered, that is, investments on a project in a certain year does not mean that the project can be commissioned in the same year because of the long construction period, during which, there is only consumption of the means of production instead of any production. For many years in the past, we have constantly carried out construction in an attempt to increase the productive forces as planned. During the planned period, more construction projects are added in another attempt to increase the productive forces in the subsequent years. Thus there has only been consumption of the means of production instead of production of any kind. Therefore, to determine the increase of first category products, we should adjust the result worked out by the model for expanded reproduction on the basis of the actual situation, add to it the consumption of means of production in the investment intended for increasing the productive forces in the years following the planned period, and deduct the amount of depreciation on the investments made before the planned period on projects which, however, begin their operation during the planned period.

Summing up the above, we can say that the theory of priority increase of the means of production is still valid under the socialist system, although, in actual application, many factors have to be considered. The role of any social law is subjected to the effect of other social factors. Therefore, in studying the law itself, these factors should be considered as abstractions; otherwise we cannot demonstrate the role of any law at all. At present, while the eight-character policy of readjustment, restructuring, consolidation and improvement is being implemented, a discussion on the theory of priority increase and the summing up of historical experiences is quite necessary. However, we cannot blame the theory of priority increase of the means of production and reject this objective economic law simply because of people's inadequate knowledge of these laws and because of other subjective causes for the excessive investments in the first category products.

(24 March 1980)

FOOTNOTES

1. All unattributed quotations are from this article.

2. Lenin, "On the So-Called Market Problem" "Collected Works of Lenin" Vol 1, p 72.

3. For the period from the first to the third year, please read Zhu's article.

9411
CSO: 4006

COOPERATIVE NETWORK FOR HEAT TREATMENT SPECIALIZATION DISCUSSED

HK091246 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 15 Jul 80 p 23

[Article by Yang Dexiang [2799 1795 0686]: "The Necessity of Specializing in Heat Treatment--On the Initial Success of Nanjing Municipality in Organizing a Cooperative Network for Specializing in Heat Treatment"]

[Text] To carry out specialized production, division of labor and coordination is the natural trend in the development of modern industry. At the present moment, our country has already entered into a new era of the four modernizations but some of our plants, mines and enterprises still linger in the stage of being omnipotent "large and comprehensive" or "small but comprehensive" units. Many plants still keep workshops, or sections, especially for the task of heat treatment. In this way, they seriously hinder the adoption of new techniques in this field and also obstruct the increase of labor productivity. However, some localities and enterprises which are gifted with foresight and can act promptly have firmly seized the principle of specialization and coordination and reorganized the heat treatment industry, accomplishing the feat of "achieving double the result with half the effort." Judging from the successes made by Nanjing Municipality in organizing a heat treatment specialization network, it is evident that heat treatment must be specialized.

Nanjing Municipality has some 147 plants and mines which operate their own heat treatment workshops (sections or units). They have a gross installed capacity of over 46,000 kilowatts, capable of a yearly output of only 26,000 tons. The common points of these heat treatment workshops are: the equipment for heat treatment is backward; over 93 percent of the equipment is 40 or 50 years old. These workshops are operated separately, are not centralized and the production scale is small: hence it is practically impossible to use high-efficiency equipment which can operate continuously. The utilization rate of the equipment is small, being less than 40 percent of the average. Because of the small output of the individual plants and mines, a large quantity of thermal energy is simply wasted in the furnaces and kilns; hence the waste of energy is enormous. Raw materials are seriously wasted,

technological control in the majority of plants and mines is poor, and technological rules are not observed; hence, product quality cannot be insured. In some of the plants and mines cyanic salt is used in the treatment process, thereby causing great environmental pollution.

In order to change these conditions, the economic committee of Nanjing Municipality decided to break through trade and ownership barriers and organized a heat treatment specialization network. This followed the principles of specialization and coordination. It formulated unified rules and called for a rational division of labor. In July last year, the first coordination centers was set up at the Nanjing technological equipment plant. It had as its principal function the treatment of heat for normal uses. Plants and mines took part in the network, doing coordination work on a fixed basis. The initial results were found to be satisfactory. Consequently, in December another coordination centre was established, this time at the Nanjing municipal weapons plant. This center was to handle the treatment of heat for chemical uses, with 44 plants and mines participating.

In performing the tasks of a heat treatment center, the Nanjing municipal technological equipment plant did courageous work. It showed its willingness to play a supporting role, vigorously strengthened production management, formulated and amplified a complete set of rules and regulations on specialized coordination. First, it established a "quality first" technological manaement system. Visits were made to various plants to find out their views on quality requirements. Spare parts for heat treatment equipment ordered by component units of the network were produced according to rigid technological requirements. Substandard product s were not allowed to leave the plant. The center took up full responsibility for repairing or reassembling any products found faulty and returned because of technological defects. Second, contract provisions were strictly observed. Delivery of goods was made according to schedule. Ordinary goods were delivered in 3 to 5 days, and big orders, 5 to 7 days. As for urgently needed articles, the parties concerned would negotiate with each other on the time of delivery, it being understood that urgent orders would be urgently attended to. Arrangements were also made to gradually carry out the system of delivering the goods door to door, for the convenience of the client. Third, the principle of "a thin profit margin but plenty of sales" was firmly adhered to. It was also planned to reduce production costs so that prices could gradually be lowered.

Soon after the establishment of this coordination center, its superior points became evident. Last year, compared with the previous year, the number of heat treatment cases handled was doubled, the utilization rate of equipment jumped from 40 percent to over 85 percent, and there were nonstop furnaces in continuous production. At the same time, per unit electricity consumption was greatly lowered. The average quantity of electricity consumed to produce 1 ton of heat for treating spare parts

dropped from 3,300 units to 910 units. Electricity consumption could thus be reduced from 2 million kwh a year to 0.55 million kilowatt-hours. The per ton production cost dropped from 360 yuan to 220 yuan. In addition, economy was effected in manpower, equipment and plant premises. As a result of stopping some small plants from using cyanic chemicals in the technological process, not only was the quality of the products improved but a public nuisance was also eliminated. This was warmly welcomed by the masses.

In setting up a heat treatment specialization and coordination center dealing in specialized production to replace production by single items and in small quantities and also employing high-efficiency equipment to take the place of antiquated and backward technological equipment, Nanjing Municipality has achieved the objectives of increasing production, lowering production cost, curtailing consumption of fuels and raw materials and improving the quality of products. Actual practice thus confirmed that this was a road to achieving greater, faster, better and more economical results.

CSO: 4006

OLD RESIDENTIAL QUARTERS RENEWED IN BEIJING

OW061309 Beijing XINHUA in English 1255 GMT 6 Sep 80

[Text] Beijing, September 6 (XINHUA)--Beijing has set out to renew small, shabby residential quarters, many of which were built a hundred years ago.

By the end of July, 49 apartment blocks had been built on the sites of old courtyard houses, and 2,000 families have moved in. Most of Beijing's courtyard housing is still livable, but 27 of the old residential quarters, about 2,300,000 square meters, were too old to be repaired. Most of these houses, built of brick and mud, were small and shabby with no sewage pipes or running water.

In 1974, the city people's government appropriated funds and materials to replace the squalid housing. By the end of July this year, six of the 27 old residential quarters were completely renewed, with kindergartens, primary schools and shops set up. Total floor space built to date is 140,000 square meters. Another 24,000 square meters are under construction.

Li Zhongxiao, deputy head of the housing construction section of the Beijing Municipal Housing Administration, told XINHUA: "The average living space per person in the new quarters is about 6.7 square meters. In the old houses, they averaged 3.8 square meters."

The Beiyingfang in the west city district was an army garrison in the Qing Dynasty. The houses were small with thatched roofs and low ceilings, each only seven square meters. The courtyards were narrow, with no running water or sewage system. Heavy rain used to turn the place into a mud hole. Now all the small houses have been pulled down and 12 blocks of five and six story apartments have been built. More than 400 families have moved in.

Li Zhongxiao said, "Because of space problems, we have first to build a building, move the families in, then pull down their old houses and build another building on that space. It will take some time to transform all the old residential quarters, but we will make it."

BRIEFS

COMMERCIAL WORKERS TRAINING--Harbin, 20 Aug--Guidelines for the education of workers in stores, hotels, banks and other service trades in China's large cities have been worked out at a conference held here, as part of a drive to upgrade the qualifications of commercial workers. The conference dealt specifically with education for commercial workers in 10 cities--Beijing, Tianjin, Shanghai, Guangzhou, Nanjing, Wuhan, Shenyang, Harbin, Xian and Chongqing. However, its recommendations are expected to be adopted as nationwide standards. A set of education regulations approved at the conference, aimed particularly at employees in service trades who began working after the start of the Cultural Revolution in 1966, requires commercial workers to undergo 500 hours of training to raise their general cultural level and 300 hours of professional study. More than 310,000 commercial workers in the 10 cities, or nearly half the total, already are attending various kinds of training classes. [Beijing XINHUA in English 0825 GMT 20 Aug 80 OW]

CSO: 4020

BRIEFS

NANCHANG INCREASED REVENUE--Nanchang Municipality in Jiangxi has increased its revenue by big margins. In the first 7 months of this year, the municipality fulfilled 66 percent of the 1980 revenue plan, a 28 percent increase over the corresponding period of last year and an alltime high. At a related meeting recently held by the Jiangxi Provincial CCP Committee, Comrade Jiang Weiqing, first secretary of the provincial party committee, praised the Nanchang Municipal Financial Bureau and related departments in charge of economic affairs for having emancipated minds and taking a more flexible policy to support the development of production in enterprises. He called for economic departments at all levels in Jiangxi to proceed from the actual situation, further emancipate minds, take a more flexible policy, reform systems and make appropriate adaptations to enliven economic work. According to statistics, from January to July the municipality's industrial enterprises earned profits totaling 61.81 million yuan, a 62-percent increase over the corresponding period of last year. They delivered 49.56 million yuan to the state, which constituted 80.2 percent of the total profits earned by the enterprises and showed a 63.3 percent increase over the corresponding period of last year. [Excerpts] [OW051123 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 4 Sep 80]

CAAC GUANGZHOU BUREAU--By the end of July, the Guangzhou Bureau of the China Civil Aviation Administration had prefulfilled this year's profit plan 5 months ahead of time with the total amount of profits exceeding the target by 360,000 yuan. A 40-percent increase was registered as compared with the corresponding period of 1979. Aside from maintaining contacts with contracted passenger and cargo services, the bureau has also established relations with some 30 private travel services in Hong Kong in order to widen its scope of service. [OW010054 Beijing Domestic Service in Mandarin 0400 GMT 29 Aug 80]

JILIN JOURNALISTIC COORDINATION--JILIN RIBAO and other local papers held a conference on journalistic coordination in Yanji Municipality 18-22 August. This conference discussed ways to publicize and enliven the economy. (Dong Shu), director of the propaganda department of the Jilin Provincial CCP Committee, addressed the conference. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 26 Aug 80 SK]

HEILONGJIANG LABOR PROTECTION--The Heilongjiang Provincial Commercial Bureau, the provincial labor bureau and the provincial trade union council recently issued a joint circular calling for strengthening labor protection and ensuring supply of labor safety devices. The circular stresses the need to ban black marketing in labor safety devices. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 1 Aug 80 HK]

CSO: 4006

FINANCE AND BANKING

BEIJING EXPANDS NEIGHBORHOOD COLLECTIVE ENTERPRISES

OW280816 Beijing XINHUA in English 0739 GMT 28 Aug 80

[Text] Beijing, August 28 (XINHUA)--The Beijing municipal people's government is providing more low-interest loans in addition to tax exemptions for collective enterprises, enabling them to expand production and services and create more jobs for middle school graduates.

According to the municipal council for producer and service cooperatives, the total income of these enterprises in the first half of this year was about 173 million yuan and total profits came to 24 million.

New collectives provided jobs to more than 10,000 young people. As they expand, it is expected that they will take in 30,000 more by the end of this year.

There are some 2,500 collectively-owned enterprises and cooperatives in the ten districts of the city, employing a total number of 180,000 workers. Most of these units were set up after 1970 and quite a number have emerged since the beginning of last year. Many are concentrated in downtown shopping streets, railway stations and tourist centers.

The amount of loans provided to collectively-owned enterprises in Beijing in the first seven months of this year topped 17 million yuan, compared to about 943,000 yuan last year, said a spokesman for the commercial credit section of the Beijing branch of the People's Bank of China. The monthly interest on these loans remains at 0.36 percent, as against 0.42 percent for state-owned enterprises.

Cooperatives set up since 1979 and those whose new recruits of middle school graduates exceeds 60 percent of their total workforce are exempted from income tax in the first three years, the city government has decided.

These enterprises may cooperate with state enterprises in setting up retail or wholesale centers or may run their own outlets. In the past, they were restricted to processing for larger factories.

The government is providing collectives with technical assistance, offering them training courses for managerial staff and sending them retired engineers, technicians and former industrialists as advisers.

According to Wang Futian, an official of the city council for producers and service cooperatives, monthly pay for young workers in these units now averages 40 yuan, about the same as in state factories, offices and shops. Welfare benefits in some well-run units are not lower than state enterprises, and pensions are given to workers when retired.

Saying there are "broad prospects" for collectives, Wang Futian cited the Dazhalan multi-service center in the Xuanwu District as an example of successful rapid expansion. Starting as a tea shop a year ago, the center now has a staff of 180 and is handling more than 400 items. It has trade contacts with many units in Beijing and 22 other cities and provinces. Monthly turnover has gone up to 700,000 yuan.

CSO: 4020

BRIEFS

QINGHAI PEOPLE'S BANK--The Xining Municipal People's Bank, Qinghai Province, has exerted efforts to withdraw currency from circulation in order to stabilize market prices. The bank had withdrawn 17 million yuan during the first half of 1980. The bank has spared no efforts to make people realize the advantages of depositing their money in banks. This together with an increase in interest rates last April has contributed to a rapid increase in saving deposits, which stood at 7,429,000 yuan at the end of June. [SK310940 Sining Qinghai Provincial Service in Mandarin 2330 GMT 25 Aug 80]

GUANGDONG HOLD CONFERENCE--The Guangdong Provincial People's Government recently held a provincial conference on finance and trade in Guangzhou. The conference decided to further relax policy restrictions, reform systems and adopt practical measures to enliven the economy and market. Attending the conference were Yang Shangkun, Liu Tianfu, Wang Quanguo, Li Jianan, Huang Jingbo and Fan Xixian, leading comrades of the Guangdong Provincial CCP Committee and the Provincial People's Government. Vice governors Yang Shangkun and Liu Tianfu spoke at the conference. Vice governor Fan Xixian made a summation on behalf of the Provincial People's Government. The conference discussed issues concerning the policy on readjusting the purchasing prices of agricultural and sideline products. [Excerpts] [HK031503 Guangzhou City Service in Cantonese 0430 GMT 3 Sep 80]

NORTHWEST SAVINGS CONFERENCE--The first session of a conference for five northwestern provinces and autonomous regions to discuss the promotion of savings deposits was recently held in Urumqi. It is reported that the branches of the People's Bank of China in northwestern provinces and autonomous regions have vigorously promoted savings over the past 2 years and more. In the first 7 months of this year, savings deposits for the whole northwestern region increased by some 140 million yuan over the corresponding period last year. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 28 Aug 80 OW]

BANK INTEREST RATES--Beijing, 1 Sep--Effective 1 September, the People's Bank of China will pay interest, at a rate of 1.5 percent per month, on deposits in accounts of various enterprises and accounts of their competent authorities. Meanwhile, beginning 1 September, this bank will grant loans to those individual business operators who have business licenses and who are capable of repaying such loans. The interest rate of the loan is 4.2 percent monthly. [Beijing XINHUA Domestic Service in Chinese 1438 GMT 1 Sep 80 OW]

ZHEJIANG BANK LOANS--According to a statistics by the Zhejiang Provincial Bank of Agriculture, as of the end of July, credit cooperatives in rural areas throughout the province had extended 16.87 million yuan loans to individual peasants for promoting production and improving livelihood. The figure was 6.82 million yuan more than the same period last year. Of the loans, 56 percent had been used for developing family sideline production while 44 percent had been used to meet incidental expenses in daily life. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 1 Sep 80 OW]

CSO: 4006

BRIEFS

HYDROELECTRIC POWER STATIONS--Beijing, August 16 (XINHUA)--The Chinese Ministry of Water Conservancy said today that more than 1,700 small hydro-electric power stations with a total generating capacity of 319,000 kilowatts throughout China were built in the first half of this year. This was 15 percent more than the same 1979 period. China now has more than 89,000 small hydro-electric stations with a total generating capacity of 6.63 million kilowatts, providing about 40 percent of electricity used for agriculture. [Text] [Beiling XINHUA in English 0148 GMT 16 Aug 80 OW]

NINGXIA POWER GENERATING UNIT--Yinchuan, 10 Aug--Two 50,000-kilowatt power generating units have gone into operation at the Shizhishan power plant in China's smallest autonomous region where the Hui people live in compact community. A 75.5-kilometer-long high tension transmission line will soon be commissioned to bring electricity from the plant to Yinchuan, capital of the region. The new generating units will help relieve power shortage in the region during low water seasons when hydroelectric power stations on the Yellow River are running under capacity. [Text] [OW111607 Beijing XINHUA in English 0308 GMT 10 Aug 80]

QINGHAI POWER STATION--Xining, August 22 (XINHUA)--A cofferdam has been completed on the upper reaches of the Yellow River to protect the construction site of a major hydroelectric power station at Longyang Gorge. The 54-meter high cofferdam, of rock fill with a concrete core, will guarantee smooth construction of the main dam in the project even if a serious flood occurs. The foundation of the main dam already is under way. The cofferdam also will help regulate water flow during flooding season and reduce the spate on the river's lower reaches. The flooding season will arrive in September this year and the flow at the Longyang project may reach up to 3,160 cubic meters of water per second. A reservoir with a 400-million-cubic-meter capacity will take shape on the upper reaches of the cofferdam during the floods. The 26,000 inhabitants within the reservoir area have been relocated and historical relics moved as well. The Longyang Gorge Hydroelectric Power Station, with a designed generating capacity of 1.6 million kilowatts, is the second biggest in China at present, next only to the Gezhouba Hydroelectric

Power Station now under construction on the Yangtze River. The project will include what will be China's biggest artificial lake, covering 383 square kilometers with a storage capacity of 24,700 million cubic meters. [Text] [OW241109 Beijing XINHUA in English 0719 GMT 22 Aug 80]

GUANGXI POWER STATION--Nanning, August 24 (XINHUA)--More than 700 small hydro-electric power stations with a total generating capacity of 172,500 kilowatts are being built in Guangxi Zhuang Autonomous Region, south China. The region already has more than 12,000 such stations with a total generating capacity of 620,000 kilowatts, producing 1,100 million kilowatt-hours of electricity annually. With little coal but abundant rivers, the region has emphasized the exploitation of its rich water resources for power. Still, just a fraction of the potential--some 17 million kilowatts--has been tapped. Over the past three years, an average of 70,000 kilowatts of generating capacity have been added each year. Now 50 of the regions 80 counties rely mainly on small hydro-electric stations for electricity supply. In addition, a 400,000-kilowatt hydro-electric power station at Dahua on the Hongshui River, one of the major rivers in Guangxi, is now under construction. Several other big power stations are scheduled to be built. [Text] [OW241100 Beijing XINHUA in English 0738 GMT 24 Aug 80]

HUBEI POWER STATIONS--Wuhan, 30 Aug--Thirty-four small power generation stations using marsh gas as fuel have been built in rural Hubei. The total installed capacity of these power stations is 297 kilowatts. Four more such power stations are being built and are expected to start operation by the end of 1980. [OW301715 Beijing XINHUA Domestic Service in Chinese 0129 GMT 30 Aug 80]

HYDROPOWER MEETING--Recently, the Beijing radio station and the Ministry of Water Conservancy invited representatives from units throughout the country that scored greater achievements in the development of small hydropower plants to a discussion meeting on energy problems in the rural areas. Representatives from Tongcheng County, Hubei; Suining County, Sichuan; and Yangshan County, Guangdong introduced their experiences, stating that the advantages of building such plants are less investments, faster results, lower costs and easier construction conditions. According to statistics, there are more than 90,000 small hydropower plants in the country with a total generating capacity of 10 billion kwh, accounting for 37 percent of the total power consumption in the country's rural areas. [Beijing Domestic Service in Mandarin 1200 GMT 24 Aug 80 OW]

ZHEJIANG HYDROELECTRIC PROJECT--Jinyun County in Zhejiang Province has completed a hydroelectric power project with an installed capacity of some 7,500 kw. It can generate some 23 million kwh of electricity annually. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 20 Aug 80 OW]

DAQING AUGUST PRODUCTION--Daqing Petroleum Administrative Bureau, Heilongjiang Province, overfulfilled its August production plan, producing in excess of 1,000 tons of crude oil daily. Compared with the corresponding 1979 period, its crude oil output increased by 1.95 percent in August. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 3 Sep 80 SK]

LIAONING ENERGY UTILIZATION--The Liaoning provincial energy leading group held an enlarged meeting recently calling for efforts to increase the energy utilization rate from the present 30 percent to 40 percent in the next 10 years. It stated that the reform of industrial structure, and technical innovations aiming at saving energy are encouraged. The meeting also urged efforts to increase the proportion of light and textile industries in the entire industry from the current 30 percent to 40 percent by 1985. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 2 Sep 80 SK]

ENERGY-SAVING EQUIPMENT--Changsha, 29 Aug--At the national machinery and electrical equipment trade fair which opened on 11 August in Changsha, Hunan, a variety of energy-saving equipment attracted the attention of prospective buyers. The equipment included several models of boilers which use poor-quality coal or gangue mined from collieries as fuel or which use the exhaust heat from cement kilns or blast furnaces as energy sources. A silicon-controlled transformer-rectifier made by Xian rectifier plant can save a lot of electricity. Using this transformer-rectifier, a caustic soda plant of 100,000-ton-per-year capacity can save an estimated 4.3 million kwh of electricity annually. Other energy-saving devices displayed at the trade fair include an electricity-saving device used in electric welding and an oil extractor which purifies waste oil for reuse. [OW291147 Beijing XINHUA Domestic Service in Chinese 0123 GMT 29 Aug 80]

CSO: 4006

MINERAL RESOURCES

BRIEFS

LIAONING GOLD PRODUCTION--The Dongwujiazi gold mine jointly operated by Chaoyang County authorities and Dongwujiazi Commune, Liaoning Province, sold 1,185 liang of gold to the state in the first 8 months of 1980. Its sale is worth 380,000 yuan from which the mine has earned profits of 60,000 yuan. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 2 Sep 80 SK]

CSO: 4006

BRIEFS

GUANGDONG CONSTRUCTION MATERIALS--From January to July 1980, the people in Guangdong produced 2.73 million tons of cement and 248,000 standard boxes of glass panes. This was an increase of 15.1 and 5.4 percent respectively over the corresponding period of last year. During the same period, the 22 state brick and tile plants produced 370 million blocks of red bricks, an increase of 20 percent. According to 7 provincial cement plants, consumption of coal and electricity for the production of every 10,000 yuan worth of products was reduced by 11.9 and 5.3 percent respectively, while profits increased by 2.2 times. [HK290820 Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 24 Aug 80 HK]

QINGHAI AUTO INDUSTRY--Since the beginning of 1980, the auto industry has steadily developed in Qinghai Province. By the end of July, 725 motor vehicles were produced in the province. Total industrial output value of auto enterprises throughout the province increased 25 percent over that of the same 1979 period, earning some 1.7 million yuan. [SK021204 Sining Qinghai Provincial Service in Mandarin 2330 GMT 24 Aug 80 SK]

SHANDONG INDUSTRIAL STRUCTURE--Shandong Province had adjusted the proportion between light industry and heavy industry, from 45 percent versus 55 percent in 1978, to 48.5 percent versus 51.5 percent by the end of July 1980. It has also increased the variety and quality of products and lowered energy consumption. Raw coal consumption for 1 yuan of output value had been reduced from 113,000 tons in 1978 to 103,300 tons by the end of July 1980. The province has reorganized the structure of industry. A total of 482 enterprises have been closed down, suspended, merged or ordered to change their production in the past year and many integrated complexes have been established. The total industrial output value increased by 5.8 percent in 1979 as compared with 1978 and by 13.1 percent in the January through July period of 1980 as compared with the corresponding 1979 period. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 2 Sep 80 SK]

ZHEJIANG SAFETY MEASURES--The party committee of the Zhejiang Provincial Petrochemical Department held a cadres meeting to discuss the State

Council decision on the Bohai No 2 oil rig accident. Cadres, engineers, technicians and workers of the department and units under the department pledged to support the decision and learn from the lesson of the accident by paying keen attention to safety in production. While studying the decision, they analyzed problems existing in safety in the production and mapped out some measures for improvement. At present, accidents often reported by petrochemical plants in Zhejiang are caused by inadequate rules and regulations, failure to observe rules and regulations, low technical standards, or the leadership's negligence of safety in production in some enterprises. In this connection, the provincial petrochemical department issued a circular, urging all units and enterprises under the departments to carefully examine their safety measures in production. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 29 Aug 80 CW]

CSO: 4006

BRIEFS

MORE TOURIST HOTELS--Beijing, August 23 (XINHUA)--China's tourist departments have signed a number of agreements with overseas firms to build 20 hotels in various tourist centers to help solve the hotel shortage problem in China nowadays, according to the general administration for travel and tourism. Eight hotels with a total of 880 rooms are already in service; six with a total 2,889 rooms are under construction; and work will start soon on the remaining six, which have a total 5,760 rooms. Talks are under way on more hotel construction with overseas investment and participation. The tourist department also has its own all-China hotels program. So far five, with a total 956 rooms, have been built in different parts of China and another 19, with a total 5,750 rooms, are under construction. Since last year more than 50 guest houses, with a total 10,000 beds, have been opened to tourists. [Text] [Beijing XINHUA in English 0817 GMT 23 Aug 80 OW]

JILIN RURAL HOUSING PROJECT--Jilin Province has made marked achievements in building living quarters in rural areas. According to preliminary statistics, the housing units built for rural commune members between 1975 and 1979 totalled 1.96 million square meters in floor space. Some 58,900 rural households have moved into new quarters. [Beijing Domestic Service in Mandarin 0400 GMT 10 Aug 80 OW]

CSO: 4006

BRIEFS

HEILONGJIANG OPENS MORE MARKETS--The Standing Committee meeting of the Harbin Municipal CCP Committee, Heilongjiang Province, was held on 2 September. It was decided at the meeting that Harbin would open another 14 markets for farm and sideline products in addition to its original 18 markets. In this way, every 70,000 people in Harbin will have a market. The Harbin Municipal CCP Committee also decided to set up a group leading the work of establishing markets. Second Secretary (Wang Zhao) of the Harbin Municipal CCP Committee will serve as leader of the group and the municipal mayor Wang Huacheng and others will serve as deputy leaders. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 2 Sep 80 SK]

TIANJIN GRAIN COUPONS--Between 1 September and 31 December 1980, the Tianjin Municipal Grain Department has decided to recall the old national grain coupons published in 1955. During the given period, the citizens of Tianjin may exchange their old coupons for the new ones published in 1966 at their affiliated grain shops. Food services trades and collectively owned mess halls may exchange their 1955 coupons for 1966 ones or settle their accounts with these old coupons at the grain department from 1 January 1981. The grain department stressed: The circulation of 1955 coupons among citizens will be completely halted on 1 October this year. The exchange measure adopted by the municipal grain department is simply due to the fact that the old grain coupons published in 1955 are too old to use. [Tianjin City Service in Mandarin 2330 GMT 30 Aug 80 SK]

CSO: 4006

BRIEFS

SHANGHAI GARMENTS EXPORT FAIR--Shanghai, August 21 (XINHUA)--The largest garments export trade fair held in China in 14 years closed here Wednesday, having drawn more than 1,500 businessmen from five continents, Hong Kong and Macao. Attendance at the 20-day fair, which was sponsored by the China National Textiles Import and Export Corporation, was four times that of the last fair held in 1966. The total value of business transactions this time was 62 percent higher than expected, and more than 30 times the figure for the 1966 fair. Among the 10,000 items displayed at the fair were woven garments, knitwear, cotton and silk goods, Shanghai-tailored suits, embroidered blouses and woolen blankets. [Text] [OW241151 Beijing XINHUA in English 1217 GMT 21 Aug 80]

SHANGHAI TEXTILE MACHINE EXPORTS--Shanghai, 30 Aug--Shanghai's China Textile Machinery Plant produces 50 kinds of automatic looms, of which some 30 kinds are exportable. In recent years the plant has yearly exported 6,000 cotton looms and 1,000 tons of parts to some 10 countries and regions. [OW301715 Beijing XINHUA Domestic Service in Chinese 0139 GMT 30 Aug 80]

WELDING RODS FOR EXPORT--The Beijing Welding Rod Plant has been able to turn out welding rods of export quality ahead of schedule, and will export more than 1000 tons of welding rods for the first time this year. In the past, the quality of the welding rods was not good enough for export, so the leaders and technicians of the plant, using only domestic raw materials, upgraded their technology and equipment and were eventually able to achieve tremendous improvements. The welding rods produced by this plant are now comparable in quality to those produced abroad. [Text] [Beijing BEIJING RIBAO in Chinese 15 Aug 80 p 2]

CSO: 4006

BRIEFS

HEBEI HIGHWAY CONSTRUCTION--Beijing, 29 Aug--The capital Construction Corps is stepping up the building of the Dahaituo-Luanping Highway in Hebei Province. The 197-kilometer highway starts from Chicheng County's Dahaituo and ends at Luanping County, passing through Yanqing and Huairu counties in suburban Beijing. So far 177 tunnels and 9 bridges have been built. [Beijing XINHUA Domestic Service in Chinese 0110 GMT 29 Aug 80 OW]

LANZHOU AWARDS MEETING--The Lanzhou Civil Aviation Bureau recently decided to commend pilot (Lan Baoshun) and his assistants for their brave action in a 5 August accident. When their plane reached an altitude of 3,400 meters, the engine malfunctioned and the cabin filled with smoke. Risking their lives, they did their best to land the plane safely. To commend their model performance, the CCP Committee of the Lanzhou Civil Aviation Bureau decided to grant (Lan Baoshun) the merit of first grade and a bonus of 100 yuan. His assistants each received a citation and a bonus of 70 yuan. [Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 28 Aug 80 SK]

CSO: 4006

PUBLICATIONS

'RENMIN RIBAO' CARRIES CONTENTS OF MANAGEMENT JOURNAL

HK041318 Beijing RENMIN RIBAO in Chinese 30 Aug 80 p 7

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Investigative report by He Dazhang [0149 1129 4545]: "Why Could the Beijing Kinescope Plant Not Fly Even Though It Was Given Wings?"

Article by Wang Dingfeng [3769 0002 7364]: "A Trial Discussion on the Qualities of Enterprise Leadership Cadres and the Art of Leadership"

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Article by JINGJI GUANLI editorial board: "Some Questions Which Must Be Further Studied in Reforming the Economic System"

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Article by Liu Chunqin [0491 2504 0530]: "How Does the Tianjing XINHUA Food Products Factory Make Market Forecasts?"

Article by Mo Hailong [5459 3189 7893]: "The Shanghai Motor Vehicle Electrical Equipment Plant Scores Success in Carryiug Out 'Value Engineering' Activities"

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Review of Foreign Management Experiences

Article by Qi Ye [2058 2814]: "The Management and Administration of Japan's Mikoshi Emporium"

Article by Jiang Jiping [5592 4949 1627]: "Foreign Enterprises Adopt the 'Rolling Method' in Drawing Up Plans"

Question and Answer by Zhao Renwei [6392 0086 0251]: "What Is Market Mechanism?"

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BRIEFS

MECHANICS WEEKLY--Beijing, 2 Sep--JIXIE ZHOUBAO [THE MECHANICS WEEKLY], a journal of the Chinese Machine-building Industrial Department, started publication in Beijing on 2 September 1980. The journal deals with the production and market demand of mechanical and electrical products at home and abroad. It also introduces new products, new technology and enterprise management experience in the machine-building industry. [Beijing XINHUA Domestic Service in Chinese 0732 GMT 2 Sep 80 OW]

NATURAL SCIENCE CHRONICLE--Shanghai, 1 Sep (XINHUA)--CHRONICLE OF NATURAL SCIENCES IN CHINA, 1979 has been published by the Shanghai Science Publishing House. The publication reviews China's achievements for the period 1949-1979 in nuclear energy, semiconductors, lasers, mathematics, astronomy, psychology, traditional Chinese medicine and other fields. Included are 18 special reports by noted scientists Yan Jici, Wang Ganchang, Huang Kun, Su Buqing and others. The latest scientific advances at home and abroad are discussed in 55 papers. The CHRONICLE introduces 236 Chinese science magazines and 23 local science papers and carries 86 obituaries of late Chinese scientists. [Text] [OW030357 Beijing XINHUA in English 0700 GMT 1 Sep 80]

NEW SCIENCE JOURNAL--Beijing, 23 Aug (XINHUA)--The No 1 issue of HISTORICAL MATERIALS ON CHINA'S SCIENCE AND TECHNOLOGY was published in August 1980 by the China Science Popularization Publishing House. The purpose of this new journal is to help readers understand the historical background of China's science and technology and their development trends. The No 1 issue of the journal contains an article by Zhou Enlai on the scientific spirit of Marxists. Entitled "Religious Spirit and Communism," the article says what Marxists believe is science, not anything that goes beyond the scope of reason. Therefore, communist leaders must not be idolized or revered like the Roman Pope. Zhou Enlai wrote this article in Europe during his youth. The article was first published by a Chinese youth magazine in September of 1922. [OW241207 Beijing XINHUA Domestic Service in Chinese 0119 GMT 23 Aug 80]

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END

JPRS 76505

26 September 1980

China Report

ECONOMIC AFFAIRS

No. 87

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CHINA REPORT

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NATIONAL ECONOMIC POLICY

AUTHOR ANALYZES THE QUESTION OF ENTERPRISE AUTONOMY

Wuchang JIANG-HAN LUNTAN [JIANG-HAN FORUM] in Chinese No 1, Jan 80 pp 32-37

[Article by Li Dehua [2621 1795 5478]: "Another Discussion of Enterprise Decision Making Power and Its Objective Foundations: A Discussion with Comrade Xiang Yutai [7309 5940 1132]"]

[Text] The 1979, No 3 issue of JIANG-HAN LUNTAN published the article "Enterprise Decision-making Power and Its Objective Foundations" (hereafter referred to as "Foundations") by Comrade Xiang Yutai. After reading the article I felt enlightened, but also at the same time felt that there were some questions and formulations worthy of further discussion.

1. The Importance of the Question of Enterprise Decision-making Powers

At present, during the process of summing up economic construction experiences and discussing economic reforms, more and more people have already come to realize that the question of enterprise decision-making powers is actually a question of enterprise reform. Whether or not one admits to, values and sincerely works to solve the question of enterprise decision-making power, it is the key point in the success or failure of the reforms to the economic management system.

However, just as Comrade Xiang Yutai pointed out in the article "Foundations," "We have long ignored study of enterprise decision-making powers and interests." In both theoretical research on the socialist sector of the political economy and practices in socialist economic construction, the importance of the question of enterprise decision-making powers is not adequately understood or sufficiently researched. The consequences of this have not only been in terms of theory, affecting the scientific nature of the socialist sector of the political economy, but also have been in terms of practice, so that although the national economic management system has undergone many changes it still has not established a scientific foundation.

Why, then, in the past, was there inadequate recognition of the importance of enterprise decision-making powers and insufficient research on it? "Foundations" says that in the past people "could not truly understand the socialist ownership system," and they only had a "vague notion of 'public ownership'." This, of course, is entirely correct. However, realization of this point alone is not enough. I believe that in addition to this, in the past, people's understanding of the problems of socialist economic management was insufficiently all-round and lacked proper relevance. In the past, mention of economic management problems ordinarily made one think of problems in administrative levels, administrative divisions, administrative organs and administrative techniques. There always was a one-sided emphasis on the state's administrative management of the economy. This went on for quite some time and finally left people with a particular impression: It seemed that problems of economic mamagement really were not problems of economic relationships or problems purely belonging to the superstructure. It seemed that reform of the economic management system required only divisions and adjustments in the central and local administrative powers and that would do it, that there was no use or that it was impossible to even consider adjustments to the ownership system, or to consider that the enterprises were economic organs and that they ought to have decision making powers in management matters and so on. These also are important reasons why for such a long time people lacked sufficient understanding of or placed adequate importance on the question of enterprise decision-making powers. As I see it, in its treatment of the theory of enterprise status within the political economy, "Foundations" divides up economic management and economic relations, thus creating an opposition between them, which is to restrict oneself by this narrow type of understanding.

"Foundations" is thoroughly eye-opening in its statement: "Some comrades point out: There must be a change in the view of studying enterprises only from the management perspective so that enterprise theory can achieve its rightful place in political economics. I agree with this view." The underlying meaning is very clear, "Foundations" believes that in the past enterprise theory did not have its rightful position in political economics because "enterprises were studied only from a management perspective," therefore there must be a change from "studying enterprises from only a management perspective." How should this be changed? "Foundations" says it ought to be "by enterprise studies from an economic relationships perspective." The meaning is very clear: Economic management does not equal economic relationships; enterprise research from a management perspective and enterprise research from the production relationships perspective are two entirely different things. Are actual conditions like this? I think not.

First, we cannot believe that the reason why previous enterprise theory did not have its rightful place in political economics was only because enterprise study was only from a management perspective. It is undeniable that in the past the scientific status of enterprise theory certainly was not truly established. However, this was not caused by enterprise study from the management perspective. The key point is that in the past people had a narrow understanding of economic management, even to the extent that in the enterprise theory of the times, research on the question of enterprise decision-making powers did not have its rightful status and did not encompass the core question of enterprise decision-making powers in enterprise management. This is the main reason why in the past enterprise theory did not have its rightful place in political economics, to explain it only from the perspective of the research questions is not sufficiently clear.

Next, I do not agree with dividing up economic management and economic relationships and thus creating an opposition. I cannot believe that there is any substantial difference in studying enterprises from the perspective of economic management and the perspective of economic relationships. The so-called economic relationships refers to the ownership system. Just as Marx said: "To define bourgeois ownership rights is no more than to describe all social relationships of bourgeois production."[1] (Emphasis added) The reference to "all social relationships in production" of course does not include political and ideological relationships, but refers to production relationships, which are economic relationships. This being the case, production management then is economic management, and if these aren't economic relationships what are they? Marx said, "Economic management is a special type of function produced by the nature of the social labor process and, moreover, one which belongs to the social labor process."[2] (Emphasis added) It can be seen that economic management ought to come under questions of economic relationships (even though it also comes under questions of the superstructure). Among questions of ownership relationships there are questions related to the possession, control and utilization relations of production materials and so on. All of these come under questions which should be studied from the perspective of economic management. For example, enterprise study from a management perspective requires study of the question of decision-making powers for enterprises to independently exercise management controls, including the carrying out of production planning management, financial management, materials management, financial management, materials management, labor wages management and so on. How can it be said that to carry out studies of such questions is not to study enterprises from an economic relations perspective?

From this we see that if we truly wish to establish the scientific position of enterprise theory in political economics, we must first undergo an ideological revolution to release our thinking from the bonds of the traditional concepts of the past. This will not succeed by merely changing the research perspective. Actually, the process people go through in comprehending the question of enterprise decision-making powers is to undergo a profound revolution. Just think, if it were not for dramatic breakthroughs in our traditional views regarding many questions of economic theory, including such questions as the socialist ownership system, economic management, commodity production, the principles of material benefits and so on, and if it were not for reforms in the economic management system practices by earnestly marching hand in hand to change from pure administrative management to management according to objective economic laws, then perhaps people would still not recognise or value the importance of enterprise decision-making powers.

2. The Objective Foundations of Enterprise Decision-making Powers[3]

How is one to recognise the objective foundation for determining that enterprises should have decision-making powers for management control? I believe that this is recognized from three aspects: the present state of social production force levels, the nature and features of socialist enterprises and the demands of objective economic laws.

1. In the present stage, our social production force levels are relatively low. Throughout all social production, the levels of mechanization and automation as well as the degree of socialization in the division of labor and in labor cooperation, which they determine, are still not high. The production forces still have not "developed to a level where only social management is suitable for managment of the production forces."[4] This means that it is still not possible to exercise socially all-embracing, over-all controls over all enterprise management, but only exercise socially unified leadership with each enterprise independently exercising management and allowing each enterprise to truly be practical and realistic in organizing production according to its own actual conditions.

2. The nature and features of socialist enterprises also requires that enterprises must have decision-making powers in management. We know that the economic nature of an enterprise is determined by the nature of the ownership system of the production materials, and the nature of the ownership system must be subjected to an overall analysis of who owns, controls and uses production materials before it can be correctly

understood. On the one hand, we ought to see that in the present stage the production materials of the enterprises in the system of socialist ownership by all the people unquestionably do belong to all the people, and moreover, the power of ultimate control also belongs to all the people. On the other hand, however, we must also see that the production materials belonging to all the people still have not yet come under "open and direct possession by society," [5] but rather are scattered among the holdings of the individual enterprises and under independent control and independent utilization within boundaries determined by the state. These are the conditions we often refer to as the separation of the power of ownership from the powers of possession, control and utilization. What is explained by such a condition? This explains why in the present state the nature of our system of ownership by all the people is still that of immaturity and still has a dual nature. These are: A unified nature and an opposite independent nature, which are, the unified nature of the ownership of the production materials and the independent nature of the possession, control and utilization of the production materials. The existence of this dual nature in the enterprises has produced an enterprise response with the following economic traits: a unified nature in the ownership of the production materials and a differential nature in the possession, control and utilization of the production materials. This to say that from the viewpoint of production materials ownership each and every enterprise is totally unified, with no differences, as the production materials of any enterprise belong to all the people. There are no points of difference. Conditions such as these determine that the decision-making powers of all enterprises in terms of basic nature should all be identical so that all enterprises have equality of decision-making powers. However, from the viewpoints of the possession control and utilization of the production materials, there actually are differences between the enterprises. Why should any differences exist? For the following reasons: 1. This type of possession is first of all subject to mandatory restrictions which are determined by the object owned and is subject to restrictions fixed by the sum total of its development as well as the production forces which exist within its usual boundaries."[6] Unquestionably, for different enterprises there always are differences in the objects possessed and in the labor forces possessed. 2. Such possession is subject to the limitations of the individual possessors.[7] It is not difficult to understand that for different enterprises the combined production technology levels and the work capabilities of the individual workers certainly are of different levels and are dissimilar. 3. Possession is also subject to the restrictions of the manner chosen to implement possession."[8] It is obvious that the various enterprises must employ different ways to implement possession, even though

"possession must undergo unification before implementation."[9] On this point there can be no differences, but there cannot be complete similarity in the manner and style or the degree of closeness and coordination found in the unification of the various enterprises. Obviously, there are differences in the various enterprises' possession, control and utilization of the production materials. This has objective existence and is not subject to anyone's willful changes. In the present stage, we must admit that there are differences and make allowances for them. We must recognize this as an objective economic factor of extreme importance in now granting independent management decision-making powers to the enterprises.

It must be pointed out that in "Foundations" the analysis of the "fundamental nature of economic relationships" in socialist enterprises is the so-called dual nature: that of the whole people and that of the collective. This is worthy of discussion. First, the guiding ideology of the analysis is suspect. Everyone knows that the fundamental nature of an enterprise's economic relationships is determined by the nature of the production materials ownership system. Because of this, our analysis can be made only according to who owns, possesses, controls and uses the production materials, and not from any other aspect. Otherwise, it will be difficult to carry out precise discussions. "Foundations" does not make an analysis of the production materials ownership system, but rather analyzes the manner and method of uniting the production materials with labor. So it is no wonder that different conclusions are reached. It must be understood that Marx's purpose in using the manner and method of uniting production materials and labor was to "permit the division of social structures into different economic periods," [10] and by no means was meant to divide up the different economic units existing within the same social structure. How can it be said that in our socialist structure, which has already eliminated the division between the production materials and the workers, there are any basic differences in the manner and method of uniting production materials and labor in the public ownership enterprises and the collective ownership enterprises. Next, the method of analysis is suspect. "Foundations" did not first carry out an analysis of the nature of the enterprises' production materials ownership systems and derive the nature of the enterprises from this, but rather followed an opposite process by first analyzing the nature of the enterprises and determining the nature of their ownership systems from this. We cannot agree with this reversed analytical method. Furthermore, the scientific quality of "Foundations'" conclusion on the dual nature of enterprises is suspect. "Foundations" says that the dual nature of enterprises consists of the whole people nature and the collective nature. What this

means is that whether the nature of the enterprises is actually that of the whole people nature or the collective nature is indeterminate. At the same time, it means that in terms of production and distribution the nature of the enterprises is inconsistent and dislocated. The dual nature which "Foundations" mentions is referred to as the whole people nature of the production materials and the collective nature of distribution according to labor performed. Can the problem be thus understood? Of course not. As Marx said: "Any form of distribution of consumer materials is no more that the result of the distribution of production conditions themselves. The distribution of production conditions then expresses the nature of the production mode itself."[11] For similar enterprises, their nature is expressed in the production materials and product distribution, which ought to be identical rather than develop any differences. If the production materials have the whole people nature then product distribution should also reflect the whole people nature rather than a collective nature. We made an analysis of enterprise dual nature above: There is a consistency of expression of the unified nature and the opposing nature, no matter on which link of production materials or product distribution it occurs. Enterprise production materials have both a unified nature and an opposite nature, and, just the same, enterprise product distribution also has both a unified nature and an opposite nature. This is an objective foundation of enterprise decision-making powers which should be reflected in each link and in every aspect of enterprise production, exchange and distribution. Some people say that the collective nature described in "Foundations" is the equivalent of the opposite nature found in our analysis. This understanding is incorrect. This is not merely a matter of different ways of speaking, but a matter of concrete differences. Our handling of the nature of the enterprise the whole people ownership system was definitive, while that of "Foundations" was confused. The enterprise opposite nature we described merely has an opposite meaning and was the opposing nature found under unified guidance, while the collective nature described by "Foundations" did not at all demonstrate, or did not demonstrate very well its opposite nature.

3. The reason why socialist enterprises have management decision-making powers is because it is required by the objective laws of socialist economics. At stated above, because of the separation of ownership and possession of enterprise production materials and because there are differences between the various enterprises's possession, control and utilization of production materials, there consequently are truly different levels of management decision-making powers in various enterprises and their independent economic benefits

are of different levels. How are these different levels of authority of benefits realized within a society and how are they measured? Actual economic life demonstrates that they are realized according to the demands of objective economic laws. For example, the law of value requires the use of the average necessary social labor time to make a unified measurement of each enterprise's work results, to unify social benefits with each enterprise's benefits, stimulate progress and encourage those who are backwards. The law of material benefits requires that there be rewards for good economic results and punishment for poor economic results of for losses to the enterprise. All of these laws require that the enterprises have the decision-making powers to independently carry out commodity production and profit distribution, so that the enterprise can realistically follow objective economic laws in uniting enterprise actual conditions and reasonable and effectively organize production. Otherwise, if the enterprise lacks decision-making powers and is unable to follow objective economic laws to practically and realistically organize production and profit distribution, then it will have to pay the penalties of objective economic laws.

3. The Problem of "Starting From Enterprise Reform" or "Starting From Enterprise Appraisal"

Now that the question of enterprise decision-making powers has been brought up and given serious consideration, the people's current discussion of economic reforms and the system of the socialist sector of political economics has led to the two following questions: Quite a number of people have pointed out that reform of the economic management system should "begin with enterprise reform" and gradually expand to cover enterprise decision-making powers. Some other comrades point out that the establishment of the system of the socialist sector of the political economy ought to "begin from an appraisal of the enterprises" and take an analysis of the enterprises as the starting point for this analyis of the socialist sector of the political economy. "Foundations," for example, takes this viewpoint. I would like to present my own viewpoint.

First, I approve of starting from enterprise reform and gradually proceeding to enlarged enterprise decision-making powers in order to carry out reform of the economic management system. I believe that the following three points show the necessity of this method:

1. The medicine suits the malady. We know that our present economic management system has certain problems, the first is stifling management, the second is too many management levels,

and the third is vague economic responsibilities with a severe case of "eating from the common pot." All of these can be summed up in the one point that the enterprises lack management decision-making powers. If the enterprise decision-making power problem is solved, then these three maladies will basically be solved. Therefore, the correct medicine for the method of reform is to start from enterprise reform and gradually expand the enterprise decision-making powers.

2. The nature of the enterprise in its function as a basic level economic organization and the goals which have been set for this economic reform. The main goals of this economic management reform are to transfer our economic management work to a track which is in accord with the operation of objective economic laws, change our past practices of using only administrative techniques in economic management, and total mobilization of the positivism and initiative of the enterprises and their workers. The key link in realizing these goals is mandatory transformation of the past method of taking the enterprise as a basic level administrative organization and permit the enterprises to become basic level economic organizations for independent management of production and permit the enterprises' broad staff and workers to truly become the masters of production. When this has been decided, then we must start with enterprise reforms and gradually expand enterprise decision-making powers. Otherwise the so-called operations according to economic laws and the use of economic techniques to manage the economy are but empty words.

3. This is a correct line which has been proven through practice. We have heard the Sichuan comrades introduce their experiences in enlarged enterprise decision-making powers. Recently, we again made a detailed study to understand how certain of our provinces have carried out tests of enlarged enterprise decision-making powers. According to conditions we have either seen or heard of, at least as explained in these two aspects, it is entirely correct to begin enterprise reform from a reform of the economic management system. For one thing, this manifests the reform's goals, arouses enterprise positivism and initiative, stimulates staff and worker positivism and creativity, as was stated above. For another thing, starting with enterprise reforms will carry out reform of the entire economic management system and provide an economic foundation. If enterprise decision-making powers are to be enlarged there must be reductions in the management powers of all central, provincial, municipal and district economic management departments and this will force the planning, finance, construction, banking, commerce, forign trade, materials and labor departments to carry out reforms in response. These departments can

find an objective economic foundation for determining exactly in what way and to what extent they should reform from the materials provided by the enterprise erforms.

However, "Foundations" advocates "starting from an appraisal of the enterprises" to build the system of the socialist sector of the political economy and opposes starting from an analysis of the socialist ownership system. I have a different viewpoint.

First, one cannot make the vague general statement, "It is not suitable to use the socialist ownership system as a starting point for analysis." This is because the socialist sector of political economics is an investigation of the socialist ownership system. Since we already know that an ownership system refers to "all social relationships of production," then no matter which aspect or link one starts from (including starting from enterprise appraisal) in analysing production relationships, they all fall within the scope of ownership system relationships.

Next, I believe that in the study of any society's political economics, that society's historical presuppositions must always be clarified before any steps to make a problem by problem analysis can be made. The "historical presuppositions of a society" are the starting point for the analysis that we mentioned. For example, Marx wrote "On Capitalism" from the analytical starting point of commodities and currency. Why is this so? Because commodities and currency are developed from the historical presuppositions of capitalist societies, i.e., in capitalist society "the presupposition for buying and selling is that the buyer is a capitalist and the seller is a hired worker." "The class relationship between the capitalist and the hired worker...is already affirmed in the presupposition."[12] This is to say that the labor force becomes a commodity and currency becomes capital, and this is the historical presupposition of capitalist societies. Therefore, Marx took commodities and currency as the starting point of his analysis. Just the same, writing on the socialist sector of political economics should also start from an analysis of the historical presuppositions of a socialist society. A historical presupposition of a socialist society is the socialist ownership system, which consists of the socialist system of ownership by the whole people and the socialist collective ownership system. Therefore, whether as a matter of convenience or of logic, it must be said that it is possible to take the socialist ownership system as a starting point in writing about the socialist sector of the political economy.

Besides this, in order to eliminate the restrictions and influences of traditional concepts on the question of the socialist ownership system, and realistically put the study of political economics on a scientific track, there is a need to start with an analysis of the question of the ownership system. Of course, this analysis starting from the question of the ownership system refers only to the general, overall aspects of the establishment, nature and special features of the socialist ownership system. It will be a comprehensive analysis and study which concentrates on the main points. It is not and cannot be a detailed analysis of all aspects, all questions and all details.

In short, I am inclined toward starting from the socialist ownership system rather than from an appraisal of the enterprises in building a scientific system for the socialist sector of the political economy. This is because there are definite difficulties in making an appraisal of the enterprises without first having clarified the historical presuppositions of socialist societies and without having precisely understood and gained control of the implications of the socialist ownership system. Because this problem is not the focus of this discussion, I merely mention it in general terms rather than develop it at length.

These viewpoints I present are not fully developed so I welcome comments and corrections from Comrade Xiang Yutai and any other comrades who wish to join the discussion.

FOOTNOTES

1. MAKESI-ENGESI QUANJI [COMPLETE WORKS OF MARX AND ENGELS] Vol 4, p 180.

2. IBID, p 368.

3. There is difference in principle between an investigation of the objective foundations of enterprise decision-making powers and an investigation of the objective foundations of "enterprise decision-making rights and interests." However, according to the contents of "Foundations," the emphasis seems to be placed on the objective basis for the enterprises to have independent income powers. This can of course be subjected to investigation. Yet, I believe that, first, enterprise decision-making powers include the benefit of independent income and that, second, income and production cannot be separated because production determines income. Without clarifying decision-making powers over production it will not be easy to clarify the objective foundation for

enterprise decision-making powers over income. Because of this, it seems more appropriate to make an overall investigation of the objective basis for enterprise decision-making powers.

4. MAKESI-ENGESI XUANJI [SELECTED WORKS OF MARX AND ENGELS] Vol 3, RENMIN CHUBANSHE (1972) p 319.

5. IBID, Vol 3, p 319.

6,7,8,9. IBID, Vol 1, pp 74,75.

10. MAKESI-ENGESI QUANJI, Vol 24, RENMIN CHUBANSHE (1972) p 44.

11. MAKESI-ENGESI XUANJI, Vol 3, p 13.

12. MAKESI-ENGESI QUANJI, Vol 24, p 38.

11582
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HONG KONG NEWSPAPER ON POWER OF ECONOMIC REFORM

HK090820 Hong Kong WEN HUI PAO in Chinese 4 Sep 80 p 3

[Report by WEN HUI PAO's special correspondent in Beijing Chang Yun-feng: "Xue Muqiao Talks on the Power of Economic Reform"]

[Text] In this year and the next, China will accelerate the process of reforming the economic management system. Taking advantage of the NPC meeting, this correspondent called on an expert in this field, Xue Muqiao, China's prominent economist, and asked a few questions. The venerable Xue now works in the State Council's office for reforming the economic management system. Although he was very busy attending the NPC sessions, coping with reporters from various quarters and more recently burning the midnight oil so he could bring himself up on an economic report he was to deliver in Hong Kong, he nevertheless received me.

I imagined I would have to take down a large number of figures. It did not occur to me that he would tell me a lively and interesting story as well as other stories that were particularly enlightening.

Stories Told With Keen Insight and Penetration

Pointing to his pants, the venerable Xue told me: This pair of pants was made by a retired tailor. Without him, I would not have the time to stand in line to have a pair made. Tailor shops in Beijing are always full of customers. He asked me: "If a worker has one or two persons as helpers, will they not be considered as hired mands?" Before I could answer his question, he said; "They should not be called hired hands for they are just partners in labor." He said he asked that master tailor: "If you take on five or six young people waiting for jobs as apprentice tailors, will they not learn and master the trade and become participants in collective labor? If 2,000 people act as you do, then 10,000 people will have found employment." The venerable Xue viewed the relationship between the master workman and the apprentice not as that between the two classes and said they should not be called hired hands. We should be more liberal in our views on this question.

The Ultraleftist Line Is Responsible for Unemployment

The venerable Xue said: We are poor because of the ultraleftist line. So many young people are waiting for jobs and this is also due to man-made factors. Squandering public funds and piling up material supplies have been the result of inappropriate systems. There was no unemployment in our country in 1957. Although the population has now gone up by 20 percent, industry has expanded 5 to 6 times. Why is there underemployment in the country?

Three young cotton reconditioners traveled to Beijing from Zhejiang. They stayed for 2 months in the courtyard of Hongxia apartment building where the venerable Xue was a tenant. Almost every household in that building had asked them to recondition an average of 2 cotton quilts at 2.5 yuan each. By doing 10 such quilts a day, the income of the reconditioners was fairly reasonable. They were happy and so were the tenants living around the countyard. People hoped that the number of such young people would increase.

Young Photographers Earn 70 Yuan a Month

Young people taking pictures in Tiananmen Square for their customers were not paid by the state. Instead, they paid 30 percent of their earnings for income tax and contributed another 30 percent ot the community fund, keeping the remainder of about 60-70 yuan a month for themselves. When they headed for the countryside to take pictures, the peasants there welcomed them with open arms. An 80-year-old woman said happily: "You made it possible for my grandchildren to see my picture in the future!" Like the cotton reconditioners, why should we not have more of such street photographers?

Just as retired master workmen dare not accept apprentices, so young people waiting for jobs dare not break new paths. What are they afraid of? According to the venerable Xue, they are afriad of being criticized for exploitation, such as fearing that if they "blow the wind in the spring, things will change in the summer and then they will be criticized in the winter." He said: If we define the systems more clearly and allow these practices to continue, will we not solve the problems?

He said: Since Beijing is now short of shops, service trades and restaurants, it is quite natural for personnel of the service trades to have bad attitudes. He recalled having bought a refrigerator from the department store. When it stopped working, neither the shop nor the refrigerator factory would take the trouble to repair it. Finally he had to plead with the minister of light industry to have the refrigerator repaired. However, this situation has changed recently. Three more factories for producing refrigerators have been set up. In addition, Japanese-made refrigerators have been imported. This upset the first refrigerator plant which quickly opened a service center at Wangfujing. During the May festival this year, the service staff of that plant called to find out whether or not his refrigerator needed to be repaired.

From Scrambling for Funds to not Asking for Loans

Such is the importance of reforming systems. The venerable Xue recalled enterprises receiving state appropriations in the past and applying for material supplies with such funds. This resulted in the tightening of funds and a shortage of material supplies. Take electric wire as example. Due to a shortage of electric wire, those who succeeded in obtaining 70-80 percent of what they had applied for were considered very fortunate. However, later when factories were given loans and the stock they had accumulated could be disposed of on the market, the supply of electric wire suddenly became plentiful in various areas. This reversed the trend in which demand exceeded supply. The reason was that the factories, after finding out it was not worthwhile to accumulate funds, began to dump the accumulated stock on the market. In the past, wire was in fact rationed. Consequently, enterprises generally applied for more rather than less. In six selected places in Shanghai, in which the practice of issuing state appropriations was altered to that of providing bank loans to the needy, two units which originally planned to ask for loans suddenly changed their mind. It occurred to these units that they still could use their old plants and improve on their machinery and equipment until they became serviceable again. This changed their mind about seeking loans. According to Xue Muqiao, changing appropriations to bank loans not only tends to lighten financial burdens but more importantly it can save funds.

It Is Unlikely for Capitalism To Appear

If young people waiting for jobs are allowed to run their own projects and if the decisionmaking power of enterprises is enlarged, will it not bring about an undue concentration of funds and lead to so-called capitalism which certain quarters are concerned about? The venerable Xue said: "No. Definitely no. This is because with public ownership of the means of production, even if a peasant earns 1,000-2,000 yuan or even 2,000-3,000 yuan, this is merely an income arising from his work. This doesn't matter at all. Large hog raising farms have to be run by the commune. After industrial and transport enterprises have been given more decisionmaking power, they will earn more. However, the profits are not distributed among individuals. Rather, they are used to improve equipment and other facilities or the earnings are deposited in the bank. There is no such thing as the appearance of capitalism."

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NATIONAL ECONOMIC POLICY

DISCUSSION OF PRICE PARITY AND THE SCISSORS DIFFERENTIAL

Wuchang JIANG-HAN LUNTAN [JIANG-HAN FORUM] in Chinese No 2, Mar 80 pp 14-17

[Article by Zhang Guofan [1728 0948 5672]: " Several Problems Concerning Price Parity and the Scissors Differential Between Industrial and Agricultural Commodities"]

[Text] Price parity between industrial and agricultural commodities touches upon relations between the state and the peasants and between industry and agriculture. A reasonable arrangement for price parity in industrial and agricultural products with a gradual reduction of the scissors differential will serve an important function in stabilizing the industrial-agricultural alliance and promote planned, proportional coordinated development between industry and agriculture.

1. Understanding the Scissors Differential

I believe that there is room for discussion of our previous explanations of the term scissors differential.

First, the explanations have incomplete content as there is no discussion of the relationship between price and value, so the economic relationships involved are not completely revealed. The scissors differential reveals the unequal value exchange occuring in the exchange of industrial and agricultural commodities, with the higher prices of industrial commodities and the lower prices of agricultural commodities. This is reflected in two aspects. The first is the unequal value of the absolute price, which is the continually widening index of price parity between industrial and agricultural commodities, as agricultural commodities are exchanged for an increasingly smaller amount of industrial commodities. The second aspect is that the changes which develop in pricing and value are not suited to the scissors differential. Price is an expression of value in currency. A study of whether there is equal or unequal

value exchange between industrial and agricultural commodities must investigate the development of changing conditions in value (reflecting costs, profits, taxes and labor productivity) and price. If the prices of industrial and agricultural commodities and the value of industrial and agricultural commodities do not have mutually proportional changes, then, disadvantages to agricultural commodities will cause a reduction in the price parity index, and as agricultural commodities can be exchanged for more and more industrial commodities the scissors differential will continue to expand. Previous explanations usually spoke only of the first aspect, ignoring the second, and thus was an incomplete explanation.

Second, the explanation of class relationships is inappropriate. The common explanation is: the scissors differential is an expression of the opposition between industry and agriculture and between the cities and the countryside under capitalism. This vague explanation is inappropriate. This is because under a capitalist system, especially in developed capitalist nations, both industry and agriculture are primarily managed by capitalists, so the relationship between the industrial capitalists and the agricultural capitalists is the same competitive relationship that exists between industrial capitalists and there is no question of anyone being exploited. Consequently, they cannot be said to stand in opposition to each other. It is only in old China and in the contemporary Third World nations where there are a large percentage of small peasants and where control by social-imperialists, imperialists and the nation's bourgeois elements along with the ensuing plundering and exploitation cause long-term low prices for agricultural commodities, long-term high prices for industrial commodities and a continual enlargement of the scissors differential. This type of scissors differential actually reflects the opposition between industry and agriculture and between the city and countryside. This sort of opposition is that which exists between the workers and the exploiters and between the colonies and the suzerain.

In addition, in the past, discussions of the scissors differential usually made no mention of state aid to agriculture (such as investment in or credits to agriculture). Our policy is to return to the people that which is taken from them, so we must make observations and calculate how much more the state should take from the exchange prices of industrial and agricultural commodities and should also make observations and calculate the amount, excluding that of prices, that should be used for agriculture. Of course, state aid to agriculture, excluding that of prices, is not a direct part of the price problem. Moreover, there also is the problem of the amount of benefits to be received in the districts, communes and brigades (this must be

handled precisely). But, under our socialist system price is one of the implements of distribution, consequently, the state must use it together with financial administration, credit and tax revenues to seek benefits and avoid harm, and attain the goal of giving all-round consideration and making reasonable distribution of the national income. Therefore, an investigation of price parity arrangements in industrial and agricultural commodities must take this into account.

2. The Scissors Differential in China

The scissors differential of old China is really startling. After Liberation we carried out a policy of reducing the scissors differential in the problem of price parity between industrial and agricultural commodities. A comparison of 1978 with 1950 shows a more than double increase in the purchase price of farm products, but only a 9.8 percent increase in the retail prices of farm village industrial products, so that the peasants could use the same amount of farm products to obtain almost twice as many industrial products, thus greatly reducing the scissors differential. Around 1957, the national price parity index for industrial and agricultural commodities held even with the base period (1930-1936). But, does this mean that we had already eliminated the scissors differential? I think not.

First, the scissors differential is a reflection of production relationships. The scissors differential existed in all pre-Liberation periods. To hold even with the base period just means that there was no enlargement after the base period, not that it had been eliminated.

Second, the existence of the scissors differential is closely connected to the differences between the levels of industrial and agricultural production. Our agricultural production is primarily still hand labor, so there is a considerable difference in the levels of industrial and agricultural production. The labor productivity rate based on total production value shows that 1 worker equals roughly 20 peasants, and the labor productivity rate based on net production value shows 1 worker equal to about 8 peasants. According to the concept of equal labor exchange it is necessary to raise the price of farm products several-fold or lower the price of industrial products several-fold to have equal value exchange. But this is unimaginable. Therefore, until agriculture is mechanized and has great increases in the labor productivity rate, the scissors differential cannot be eliminated.

However, some people believe that ever since the Great Cultural Revolution the already reduced scissors differential had been expanded. This is not necessarily so.

First, during the Great Cultural Revolution, although there was no great change in the prices of consumer goods, nonetheless farm use commodities and chemicals had price drops. For example, in Hubei province in 1971, kerosene prices fell 20 percent, diesel oil prices fell 20 percent, chemical fertilizer prices fell 10 percent and pesticide prices fell 15 percent. In 1972, there was another increase in the preferential treatment for peasants by increasing the support per ton of diesel oil from 90 to 130 yuan (other provinces made comparable price changes). The districts make additional price reductions (which might be suitable for separate discussion) so that there was a 6 percent decrease in the price index for retail sales of farm village industrial products. For the same period there was an 11 percent increase in the purchase price of farm products, so that in terms of price the scissors differential was reduced during this period.

Second, although farm labor productivity is lower than that of industry in terms of prices, this, however, is calculated on the basis of total production value. The total production value includes changes due to past price increases plus a portion of the means of production (The 1979 value of industrial fixed assets of the public ownership independent accounting units in Hubei was more than four-fold that of 1965). There must be compensation for this portion and it cannot be distributed or exchanged. It is therefore necessary to use net profit to calculate the relative labor productivity rates and make a precise explanation of the problem. Because our statistical system does not require calculation of labor productivity according to net production value there consequently is no systematic, precise data. However, according to rough calculations based on Hubei province materials, in the period from 1965 to 1978, calculations based on net production show no increases in industrial labor productivity, while the index of price parity between industrial and agricultural materials was reduced by 28 percent.

According to other statistics from Hubei, in the public ownership enterprises, in recent years, the industrial total production value produced by each 100 yuan of fixed assets, the quota of circulating funds used for each 100 yuan of industrial total production value, the costs for each 100 yuan of industrial production value, and the accumulation provided by each 100 yuan of fixed assets have not attained the levels prior to the cultural revolution and some have even greater differences. In the final analysis, these economic indicators are concrete factors in the commodity price structure and they show from different perspectives that there have been no real decreases in prices for industrial products. Therefore, to say that the scissors differential expanded during the cultural revolution does not agree with the facts.

Third, it is insufficient to carry out an investigation of the scissors differential, especially in connection with pricing, from a comparison of labor productivity in the two areas of industry and agriculture, as they must also be considered along with circulation links. This is because price parity in industrial and agricultural commodities reflects the relationship between the state and the peasants. Industry and commerce (including the materials system) basically are in the public ownership economy, so the only way to completely and correctly handle the question of benefits in exchanges is to put the industrial and commercial exchanges in one grouping and the peasants' exchanges in another grouping. For example, according to usual practice, if the purchase price for agricultural raw materials used by industry is increased, then commerce ought to increase the sales price in selling it to industry, so the materials expenses for the industrial product will increase and (providing no other conditions change) the industrial product will be sold to the peasants at a higher price. If the sales price of agricultural consumer goods is raised, commerce then ought to sell them to the workers at a higher price and the workers' wages ought to increase, so the costs of industrial products will increase and so (providing no other conditions change) industrial products will be sold to the peasants at higher prices. The factory will sell industrial commodities to commerce at the producer price (the producer price is the basic price calculated by industry according to such indices as the labor productivity rate and the accumulation rate) and commerce will sell them to the peasants with an added price difference. All of these are ordinary exchanges. If there are any losses on agricultural and industrial commodities under commercial management, (not losses of a managerial nature) these actually should all be paid by the peasants but are absorbed by commerce. Everyone knows that on the two items of grains and oils alone, the nation absorbs yearly losses of about 7 billion yuan. Commerce also loses money on many agricultural raw materials. Commerce loses money on many industrial products, especially on agricultural production materials. Every year, Hubei province loses over 5 million yuan on farm use plastic sheeting alone. Labor productivity is not reflected in items such as these.

Furthermore, in the past few years, some factories have engaged in single-minded pursuit of production value and have produced a number of low quality, high priced products without a sales market, which them pile up in the commercial and materials departments. The value of these commodities and materials is difficult to formulate or difficult to formulate completely (some must be discarded, others sold at reduced prices) but industry has calculated their labor productivity in the regular fashion. If all the above factors are taken into consideration it is even more difficult to reach the conclusion that the scissors differential has expanded.

3. Is Measurement of Price Parity Between Industrial and Agricultural Commodities a Reasonable Main Standard?

Price Parity of industrial and agricultural commodities is interwoven with a number of complex economic relationships, so it is difficult to use one or two economic indicators as absolute measurements to judge whether or not something is correct. Moreover, some indicators are difficult to measure accurately (such as value), therefore, the yardstick for judgements must be economic indicators plus economic results. For the most recent period, the following can be used to judge whether or not they are suitable main indicators (measurements).

First, use the gradual reduction in price parity calculated for industrial and agricultural commodity prices (the gradual increase in the number of industrial products obtained for agricultural products), and the amount of the reduction, together with basic adaptions to suit the changing value conditions for industrial and agricultural products, and with basic adaptions to suit the level of development in industrial and agricultural production.

Second, under the premise of developments in agricultural production and on the basis of rational distribution in the collective economy of the peoples' communes, gradually increase the collective's accumulation and the individual's income, gradually reducing the differences between worker and peasant livelihood.

Third, the state accumulation is sufficient to guarantee needs in all quarters and is sufficient to guarantee harmonious development of the national economy without leading to unsuitable reductions of the scissors differential, financing deficits or relatively great material shortages.

Fourth, price adjustments will not destroy the general balance between purchase power and the quantity of commodity supplies, but will guarantee the basic stability of the currency and the price of goods.

4. Views on Future Price Arrangements

In the past few years, we have raised prices on some native and mountain products and last year there was a large price increase for such major agricultural products as foodgrains, cotton and oils. With the price increases for last year alone, peasant benefits reached nearly 7 billion yuan. Considering the problem of arousing peasant enthusiasm for production and especially the problem of low grain prices, these increases were entirely necessary and correct. However, I

believe that with this large price increase the overall level of purchase prices for agricultural products ought to maintain a basic stability for a few years, and except for adjustments to unreasonable rises or declines in price parity, there should be no more increases. When price adjustments occur they should be suited to local conditions and arbitrary uniformity should be avoided. For example, little cotton is produced in the north, so the peasants have small benefits, but much cotton is produced in the south and current benefits exceed those for grain, so there ought to be differences between cotton price arrangements in the north and in the south. Seeing that it is easy to raise prices for agricultural products (no opposition) and difficult to lower them, a cycle of price increases for farm products (especially for food grains and other farm products) can be avoided by considering the use of the method of non-price subsidies that was used for backwards industries to increase to benefits of cotton farming in the north, and when production is improved then take appropriate steps. This procedure is a more positive one. There must be a forceful effort to achieve stabilization in the overall level of industrial product prices, and there should be increases and decreases in unreasonable price parity conditions. When these adjustments are made there should be balanced categories and there especially should be no confusion between consumer goods prices and industrial and agricultural production materials prices. Moreover, prices for agricultural production materials should be decreased on the basis of lowered costs. Maintainence of basic stability in the overall balance between prices of industrial and agricultural commodities should be based on a consideration of the following reasons.

First, for some years past, there have been serious setbacks to the peasants' enthusiasm for production, agriculture has developed slowly, primarily because of the destruction caused by Lin Biao and the "gang of four." The farm village agricultural policies were not carried out because of blind leadership in agricultural production, not because of low prices for farm products. The clearest statement of this comes from historical experiences. In Hubei province 1958 and 1962, the purchase price of farm products was 36.7 percent higher that in 1957, but the "Five Styles" were in full swing during those years, and in 1962 agricultural production declined below that of 1957. From 1963 to 1965 the "Sixty Regulations" were put into effect to correct many wrong tendencies, and the price for farm products was less than 3 percent higher than in 1962, even though 1965 agricultural production was 36 percent higher than in 1962 and there was a slight decrease in the amount of land cultivated. These figures cover only collective production and if private plots and household sideline occupations were included the differences would be even greater.

Second, there are a number of industrial products of secondary quality and high price, and some enterprises use improper brand name changes to reduce state price controls over products with proportional production, and thus maintain a certain profit level. If there are adjustments in the price of goods, then, given the premise of truly maintaining price stability, thoroughgoing solutions for the problems of high price, secondary quality goods and producing to meet social needs may bring some unfortunate consequences to the national economy, such as possibly lowering the level of enterprise profits, making it difficult to increase the national financial revenues, and causing excessive reductions in the scissors differential.

To sum up, materials are the foundation of commodity prices, and only production developments can provide a secure foundation for stable prices, and can provide good conditions for adjusting prices according to objective economic laws, and all to everyone's satisfaction. If industrial and agricultural production do not develop, but rather seek gains through pricing (that is, distribution), then there can be no basic solutions for the problems between industry and agriculture and between production and consumption. Moreover, increased prices will bring about a chain reaction so that it will be difficult to attain price equilibrium. If the permissible limits of national financial power are exceeded there may even be financial deficits. Therefore, with last year's major increase in farm product prices, from now on there must be strict control over any more such increases.

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ECONOMIC PLANNING

'BEIJING RIBAO' PUBLISHES CAPITAL POPULATION GROWTH STUDY

OW091224 Beijing XINHUA in English 1210 GMT 9 Sep 80

[Text] Beijing, Sep 9 (XINHUA)--The population of Beijing will pass the ten million mark by the beginning of the 1990's if it is not controlled, according to a study by Yang Naichao, Zhang Baocheng and Luo Liuhe, staff members of the city statistics bureau.

The study published in today's BEIJING DAILY says that by the end of 1979, the city population reached 8.71 million, 4.57 million more than in 1949.

Beijing's average annual increase was the highest in the country, says the paper. In 1979 alone, the net increase was 209,000--or one birth every two and a half minutes.

By the end of 1979, the paper says, people under 30 accounted for 58.8 per cent of the city's population, people who were born between 1950 and 1964, when population control was not encouraged, attained marriageable or child-bearing age. The study says that from 1977, the city birth rate began to go up and the trend is expected to continue for the next 15 years.

In 1977, 69,000 couples married in the capital. In 1978, the number rose to 88,000 couples and last year 130,000 couples got married.

It is estimated that from 1980 to 1984, 900,000 people will reach marriageable age.

The paper says that 460,000 people have moved into the city since 1971. Last year alone, 120,000 people moved in. Even if the intake is controlled at 24,000 a year, as between 1949 and 1978, the increase, plus the natural growth of population and people living in Beijing temporarily, would give the capital a total population in excess of 10 million by the beginning of the 1990's.

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ECONOMIC PLANNING

GUANGDONG IN GOCD POSITION TO DEVELOP LIVELY ECONOMY

Guangzhou NANFANG RIBAO in Chinese 23 Jun 80 p 1

[Report: "Resolutely Carry Out Directives of CCP Central Committee and State Council on 'Proceedings of Conference on Two Provinces of Guangdong and Fujian'; Give Full Scope to Superiorities of Our Province and Develop a Lively Economy in a Down-to-Earth Way"]

[Text] The Guangdong Provincial Committee of the Chinese Communist Party held a briefing on the 19th of this month to convey important directives of the Central Committee of the Chinese Communist Party and the State Council on the "Proceedings of the Conference on the Two Provinces of Guangdong and Fujian," and asked party organizations at various levels throughout the province to resolutely carry out these central directives and to lead the province's cadres and masses of the people in continuing to emancipate their thinking, eliminate the remnant poison of the extreme left line, give full scope to the superiorities of our provinces, actively and steadily proceed with the reform of the economic system, develop a lively economy in a down-to-earth way, creatively blaze a path for the acceleration of the four modernizations, and make still greater contributions to the state.

Comrade Xi Zhongxun [5045 0112 0534], first secretary of the Guangdong Provincial Committee of the Chinese Communist Party, presided over this briefing. Yang Shangkun [2799 1424 2492], Liu Tianfu [0491 3944 1133], Wu Lengxi [0702 0397 6007] and other provincial committee members and leading cadres attended the meeting. More than 6,000 persons were at the briefing, including those comrades who were in Guangzhou to attend the increase-production, practice-economy, increase-revenues and reduce-expenditures work conference of the province and Guangzhou municipality; the forum on long-term planning for the province; the province's inventory-assets, audit-investment, reverse-losses and increase-profits conference; the conference of the provincial finance bureau chiefs; and party members and cadres of organs under the direct jurisdiction of the province and Guangzhou municipality and the provincial military district above division level, as well as those cadres who were studying at the provincial party committee's school.

In July of last year, the Central Committee of the Chinese Communist Party and the State Council decided to have the two provinces of Guangdong and Fujian carry out special policies and flexible measures in their external economic activities. This greatly stimulated party organizations at various levels in Guangdong and the people of the whole province and enabled them to achieve preliminary results in their work. In March of this year, the Party Central Committee and the State Council entrusted Comrade Gu Mu to come to Guangdong. He listened to briefings of the two provinces of Guangdong and Fujian, inspected and summed up conditions of the two provinces' execution of the Central Committee decisions, and discussed and studied present problems and measures to resolve them. In May, the Central Committee of the Chinese Communist Party and the State Council formally approved "Proceedings of the Conference on the Two Provinces of Guangdong and Fujian" and issued important directives. It was clearly pointed out in these directives that practices over the past year have proved that the Central Committee's decision to have the two provinces of Guangdong and Fujian carry out special policies and flexible measures in their external economic activities was correct. The work of the two provinces has made a great deal of progress, and the results are conspicuous. Our task is to seriously sum up our experience in a timely manner, study our new situation and solve our new problems. The two provinces must strengthen their leadership, solicitously do their work well, accelerate the development of their economy, and make contributions to the four modernizations.

At the briefing, the important directives of the Central Committee of the Chinese Communist Party and the State Council on the "Proceedings of the Conference on the Two Provinces of Guangdong and Fujian" and those conference proceedings themselves were read first. Then, Comrade Liu Tianfu made a report on behalf of the provincial committee regarding the question of how to grasp and carry out the Central Committee's directives, and Comrade Xi Zhongxun gave a talk.

Comrade Xi Zhongxun said: The meeting today is very important; it is a mobilization meeting to study and carry out the Party Central Committee's most recent directives on the "Proceedings of the Conference on the Two Provinces of Guangdong and Fujian." Its basic spirit is to have us unite with the specific actual situation in Guangdong, give full scope to Guangdong's superiorities, take advantage of our assets and avoid our shortcomings, and accelerate the pace of our four modernizations. At the same time, this is also an important decision by the Party Central Committee on the reform of our economic system which requires us to take a first step forward and to provide some experience accordingly. We are determined to carry out the Party Central Committee's directives and greatly accelerate the development of our economy. Party committees at various levels must seriously study and widely propagate these Central Committee directives, adopt practical and effective measures, and literally shift the focus of the work of our whole province to the course of carrying out the Party Central Committee's important directives

concerning our province and accelerating the pace of our work for the four modernizations.

Comrade Xi Zhongxun emphatically pointed out: In order to make a go of economic construction work in our province, we must continue to emancipate our thinking. Today, we have still not, in general, developed a lively enough economy. What stands in the way of our doing a good job of carrying out the spirit of the Central Committee's directives is the question of economic system and policy, of course, but the question that is more dominant or that requires a prior solution is still that of insufficient emancipation of our thinking. We must continue to eliminate the remnant poison and influence of the extreme left line of Lin Biao and the "gang of four," break through the small producers' narrow perspectives, insist on seeking truth from facts, and follow natural laws and economic laws in our operations. Comrade Xi Zhongxun said: On the road of our new long march, we are bound to encounter many new situations and new problems as well as new difficulties. Leading cadres at various levels must give scope to the party's fine tradition and working style, advance toward the forefront, study new situations, solve new problems, closely unite with the specific conditions in their own localities and their own departments, creatively carry out the series of principles and policies formulated by the Party Central Committee, mobilize the people of the whole province, and make a go of the economy of our province so that the people of our whole province can become prosperous as quickly as possible and thereby make even greater contributions to the four modernizations of the motherland.

Comrade Liu Tianfu said in his report: The Party Central Committee last year approved the policy of having Guangdong and Fujian carry out special policies and flexible measures in their external economic activities, and most recently it also approved the conference proceedings of the two provinces. This is an experiment in the reform of our economic system, and it has four outstanding characteristics: the first is the adoption of exclusive contracts on fixed amounts in the case of financial and foreign exchange revenues; the second is the taking into account of appropriate market adjustments in the handling of our resources and commerce under the guidance of state plans; the third is the expansion of local autonomy with respect to planning, the setting of prices and wages for laborers, the management of enterprises, external economic activities, and so forth; and the fourth is the experimental running of special economic districts, actively absorbing overseas Chinese capital and foreign capital, and importing foreign advanced technology and management experience. The Party Central Committee's directives have indicated a clear direction for the reform of the economic system in our province and have provided great support to us on many questions. This is of great significance in giving full scope to the superiorities of our province, and we must resolutely carry out these directives.

Comrade Liu Tianfu pointed out: In order to carry out the Party Central Committee's directives, we must first of all continue to eliminate the remnant poison and influence of the extreme left line, and further emancipate our thinking. Today, manifestations of unemancipated thinking still exist; this is reflected in people not daring in many instances to proceed from the actual situation, study new situations, or solve new problems so as to develop a lively economy; in people not trying to do their best according to local conditions or to give scope to their local superiorities, but to resort to set forms in all their operations; and in people not trying to foster cooperation between specialized undertakings or work on large-scale production on a society-wide basis, but to pursue a self-sufficient economy. Therefore, only by further emancipating our thinking will we be able to seek truth from facts and analyze our characteristics, analyze our assets and shortcomings and thereby give scope to our assets and avoid our shortcomings, do our best according to our local conditions, give play to our superiorities, protect competition, promote affiliations, and develop a lively economy. Comrades of all departments and all localities must emancipate their thinking, have the spirit of being pathbreakers, analyze their own environmental characteristics and assets and liabilities, creatively decide on their principles of work, give scope to their assets and avoid their liabilities, give full play to their superiorities, and create a competitive situation of your trying to surpass me and my trying to catch up with you, thereby promoting each other's efforts. Meanwhile, in order to give scope to existing superiorities, they must work on specialization, work on cooperation, and work on affiliation. Such cooperation must be carried out between industrial enterprises, between various departments of agriculture, between various trades within industry, between industry and agriculture, between state-operated and collective enterprises, between localities, and between districts within and outside provinces. Only thus can we enliven our economy, give full scope to our superiorities, and overcome our weak links.

Comrade Liu Tianfu said: In order to carry out the Party Central Committee's directives, we must emphatically grasp the following five tasks now:

1. Readjust the principles of agricultural development, and gradually change the agricltural economic structure. In order to give full scope to the superiorities of our province, we must, while firmly grasping foodgrain production, gradually readjust agricultural structure on a rational basis, develop more tropical and semitropical economic crops of various kinds, and such agricultural, sideline, indigenous and special products for exports as forestry, cattle-raising, auxiliary and fishery products, and correspondingly develop light industries and other processing industries so as to increase our economic revenues even further. For example, there must be a great development in our province's sugarcane production. In our province, each 100 jin of cane can yield 11-12 jin of sugar; in the Yangtze River region, each 100 jin of cane can

yield only 7-8 jin of sugar. We must give scope to such superiority and strive to feed existing sugar mills to their full capacity within 2 to 3 years. For this reason, we must thoroughly carry out a good sugarcane production policy, mobilize the peasants' enthusiasm in planting sugarcane still more, and at least see to it that in the concentrated production areas the peasants' revenue from planting sugarcane is not less than their revenue from planting other crops. We must also solve the contradiction between sugar and foodgrains and solve the foodgrain question for the sugarcane peasants in such concentrated production areas. We must also experiment with returning part of the profits from sugar to the communes and production teams, thereby directly uniting the interests of the sugar mills with those of the sugarcane peasants. Our province also has the characteristics of numerous hilly areas and a long coastline; we must actively develop our forestry, water products, especially water products that foster enterprises, and various agricultural, sideline, indigenous and special products for export. We must enable the peasants to become prosperous as quickly as possible. Apart from doing our best according to our local conditions and quickly developing economic crops and tropical crops, we must also actively develop united agricultural-industrial-commercial enterprises in a planned way and follow the path of comprehensive management.

2. Energetically develop light industries and handicrafts. The light industrial and handicrafts of our province have a definite foundation; their classifications are relatively complete, and there are not a few famous-brand products. Developing light industries and handicrafts under these circumstances also shows great superiority on Guangdong's part. We must give the development of light industries and handicrafts an important status. The development of light industries and handicrafts must rely on combined efforts. That is to say, we must make extensive combined efforts between the cities and the countryside, between workers and peasants, between agriculture and industry, between the economy of the whole people and the collective economy, and between various factories and mines, various communes and production brigades, so that they will depend on each other, support each other, develop together, and achieve wealth together. We should see that the light industrial products of our province are facing harsh competition in the domestic and international market today. If the light industrial products of our province are to strive for continued existence and development under such a new situation, the only way is to improve their quality, do a good job in up-grading and replacing the products, diversify their patterns and varieties, continue to reduce their cost, lower their profits and enhance their sales; only thus can they hold their ground and open up new outlets.

3. We must make our most determined effort to concentrate our forces in solving the energy problem. The main approach is to practice self-reliance, anchor our endeavor on the resources of our own province, give scope to our own superiorities, fully develop our hydraulic power, oil

shale, coal and resources of the like. In the short run, we must emphasize mainly the exploitation of energy resources within the province, and rely on external assistance only in the supplementary sense; we should stress both exploitation of such energy resources and economical use of such energy resources, placing economic use in the place of first importance right now. In order to grasp the key points of energy resource exploitation and utilization, we must concentrate our financial and material resources and adopt all possible methods to develop hydroelectric power. At the provincial, regional, county, commune as well as production brigade level, we must all exert ourselves to run hydroelectric stations on the basis of suitable local conditions; we may let each level run them by itself, but we must also promote combined efforts to run them by the various levels together, so that they can adopt all measures and feasible methods that are adoptable to encourage the development of hydroelectric construction. In the countryside, we must also do a good job in developing marsh gas.

4. Solve problems of communications and transportation as our weak link. We must push through our efforts to reconnect the southern section of the Beijing-Guangzhou line, from Hengyang to Guangzhou, to complete the construction of the Sanshui-Maoming line, to do a good job in transforming the Guangzhou-Jiulong line into an electrified line, and to build the area between Zhanjiang, Haikou, Swatow and Shaoguan into an all-connected network of water and land transportation. We must especcially readjust our policy, support the development of water transportation cooperatives, and correspondingly accelerate the construction of wharves and ports and the construction of highways.

5. Expand our external economic activities; this is an especially important aspect of our effort to give full play to our superiorities, speed up economic development, and accelerate the four modernizations. Our work in this aspect must be carried out in conjunction with the readjustment of our national economy. In foreign trade, we must insist, under the principle of exerting a united external effort, on giving full play to the enthusiasm of various localities and various departments in handling foreign trade. We must seek actively to do a good job in "Supporting exports with imports," building bases, special plants and workshops for the production of export products, and adopt special management methods to enable them to increase their production, raise the quality of their products, reduce their cost, diversify the patterns and varieties of their products, strengthen the solid foundation of our export commodities, and improve the competitive potential of our export commodities. We must actively make use of foreign capital and overseas Chinese capital. We must actively set up our tourist industry. We must endeavor to run well special economic districts and first of all develop well the Shum Chun special Economic District as a key measure.

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PRC ECONOMIC JOURNAL EXPOUNDS ON YUGOSLAVIA'S AUTONOMY SYSTEM

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[Article by Pang Chuan (1690 1557): "The Autonomy System of Yugoslavia"]

[Text] Editor's Note: Comrade Tito was a great Marxist of our time. The socialist autonomy system of Yugoslavia is a road to socialist construction which suits the national conditions and which was built by Comrade Tito and the people of Yugoslavia after uniting the universal truth of Marxism with the concrete practice of Yugoslavia. In memory of Comrade Tito, we specially publish this article for our readers' information. [End editor's note]

It has been exactly 30 years since the autonomy system was introduced by the people of Yugoslavia. This is the result of the integration of Marxist tenets with the concrete Yusoslav practice of revolution of the League of Communists of Yugoslavia headed by Comrade Tito. When the Federal Assembly of Yugoslavia passed the "Fundamental Decree Regarding the Management of National Economic Enterprises and Advanced Economic Organizations by the Workers' Clique" on 26 June 1950, President Tito delivered the famous speech, "Management of Factories by Workers in Yugoslavia," solemnly declaring the beginning of the autonomy system in Yugoslavia. He highly appraised the first decree that introduced autonomy, pointing out "passing the bill will be an action of historic significance by the Federal Assembly, second only to the decree on nationalization of the means of production. "After 30 years of continuous groping, substantiating the perfecting, the socialist autonomy system of economy has become Yugoslavia's basic line on internal policy, forming the foundation for the socialist economic and political systems of Yugoslavia. The autonomy system has run through all spheres of Yugoslav social life.

The Origin and Development of the Autonomy System

Yugoslavia's idea of introducing the autonomy system was not conceived out of thin air. First, it originated from Marxist tenets and the experience of the Paris commune. After the rupture of the relationship between the Soviet Union and Yugoslavia in 1948, great pressure was brought to bear upon Yugoslavia's economy, politics and military affairs. The Yugoslav Communists

then made a serious study of the Marxist-Leninist classics, and, leading the entire party and the people of the whole nation, tried to find a new way toward socialist construction. They gained great enlightenment from the Marxist theory that the liberation of the working class should be fought for by the working class itself and from Leninist expositions that the working class should learn to manage their country, practice supervision by the workers, prevent public servants from becoming masters of the people and capitalist restoration as well as bureaucracy inside the working class. At the same time, realizing there were great drawbacks in copying the Soviet system of highly centralized management, they came to the conclusion that enterprises should be managed by the workers themselves. Second, as far back as the early days of World War II, liberated areas were formed in Serbia in 1941 when workers spontaneously took over factories deserted by owners who had fled. With the assistance of the military organizations and people's liberation committee, production was soon resumed. This was the bud of workers' autonomy in Yugoslavia. The deterioration of the relationship between the Soviet Union and Yugoslavia expedited the process of taking the road to autonomy. In 1949, "Instructions Concerning the Formation of Workers' Committees and Their Work in State Run Economic Enterprises" were formulated at a joint meeting of the Yugoslav Government Economic Committee and the Federation of Trade Unions. By the end of the year, workers' committees had been set up by 215 large scale enterprises to practice autonomy as a pilot project. Before the basic laws of workers' autonomy were formally promulgated in June 1950, more than 800 enterprises had already established pilot workers' committees. The autonomy system in Yugoslavia was developed concurrently with the powers of economic management being delegated to lower levels. Roughly speaking, Yugoslavia went through three stages from the beginning of workers' autonomy to its gradually development into a system of socialist social autonomy:

Stage One (1950-1963)--During this stage, the autonomy system tended to put emphasis on the development of factories, mines and other enterprises. In the early days of autonomy, workers' committees were not very powerful and they only acted in an advisory capacity. The power of running enterprises was still in the hands of managers. Appointed by the government, these managers represented the state, and enforced and upheld the law. The accumulation of enterprises and wages were still decided by the state. After that, series of measures were taken to gradually transfer the power of economic management to lower levels. The workers' autonomous authority was also gradually elevated. By the end of 1951, the "Decree on the Management of National Economic Planning" was published and was thoroughly implemented in January 1952. This decree abolished the centralized system of national planning and disbanded the national planning committee. Instead, a new socialist planning system was put into practice that fixed the direction for economic development as well as the basic ratio for the appropriate of national income. This new system further spelled out management of enterprises by the workers, the opening of markets, full utilization of the law of value and the avoidance of administrative interference in the markets. The "General Decree in Respect of the People's Committees" published in March 1952, stipulated that

the people's committees should cease to be engaged in daily management and should only be responsible for the supervision of enterprises. The "Decree on the Operation of Foreign Trade" published in December 1953, allowed independent operation of foreign trade and choice of international markets by the enterprises. Also in December 1953, the government announced the "Decision on the Method of Managing the Fixed Assets of Economic Organizations," stipulating that enterprises might buy, sell and transfer the means of production, just as they did with other commodities. The state would just set a fixed asset tax calculated on the total value of the means of production.

Between 1954 when the Federal Government announced the regulations regarding the total income of economic organizations and early 1961, the way in which the income of enterprises was appropriated was reformed three times, continuously expanding the financial autonomy of enterprises. For instance, enterprises had the right to accumulate funds with part of their profit. Retention by enterprises of their income for their appropriation reached as much as 43.2 percent. At the same time, individual staff income was linked up with that of the enterprises. In 1961, the state further lifted all restructions on the use of the part of income retained by the enterprises, rescinded wage regulations and abolished the standard level of wages and the system of fixed wages. On the other hand, a minimum level of individual income was provided for. It was also stipulated that enterprises should have the right to recruit, appoint and dismiss staff and workers.

From 1956 onward, the autonomy system was extended to departments that were originally intended to be under the centralized management of the state such as the railway and post and telecommunications offices. In July 1962, the Central Committee of the Communist Party of Yugoslavia passed a resolution demanding that all social organizations should continue to develop autonomy, extending the system to departments of undertakings and government organs such as education, health and culture. Accordingly, Yugoslavia's autonomy system reached the "social autonomy" stage of development. At the time, except in the party organizations and army, the principle of autonomy was generally practiced in Yugoslavia. In 1963, a new constitution was announced, reaffirming the policy of further expanding autonomy and decentralizing state power.

Stage Two (1964-1974)--During this stage, the state even granted autonomous enterprises the power to make decisions as to whether or not reproduction should be expanded. In his speech delivered at the 8th Congress of the League of Communists of Yugoslavia in 1964, Comrade Tito said that autonomy had been confirmed in the sphere of simple reproduction. He pointed out the powers of workers should be extended to the realm of expanding reproduction so that decisions could be made by workers to determine the investment funds. Consequently, a major reform was made in Yugoslavia from 1964 to 1965. This was the most important and comprehensive reform which was also a turning point for the Yugoslav economy.

The important points of this reform were: First, the investment funds of the Federal Republic, republics and localities (i.e. those controlled by the state) were cancelled (the Federal Republic controlled more than one-third of the country's investment funds), and all the investment funds in the country were turned over to the banks. Enterprises would then apply to the banks for loans after decided to expand reproduction. The social investment funds tax, additional income tax and rentals for mines which enterprises had to pay were abolished. All enterprises had to pay were production funds tax and individual income tax. Use of accumulated capital would be entirely at the discretion of the enterprises. At the same time, funds for social undertakings would be borne by units (health protection, education, culture and administration) while the Federal Government would only guarantee subsidy to those republics that could not earn enough to meet the minimum demands. This basically eliminated the role played by administraton at every level in expanding reproduction and strengrhening the powers of economic units in this respect. Second, the financial and economic systems were further reformed, demanding that the functions of themarket be brought into full play so as to make economic organizations become real commodity producers. State subsidies for nonprofit-making production and exports were withdrawn. At the same time, improvements were made to the unequal price relations among various economic departments and to the unequal price situation between agricultural and industrial products in particular. Domestic commodity prices were readjusted generally in accordance with the price standard set by the international markets. As for foreign trade, tariff protection and export boosting measures were reduced. A laissez-faire policy was adopted, allowing foreigners to invest in Yugoslav enterprises and turning Yugoslavia's economy into one of the open type.

The original intention was that, by introducing this reform, workers in enterprises would have greater autonomous powers and there would be less centralized interference by the state, thus further promoting Yugoslavia's economic development. But the result turned out to be contrary to expectations. Overemphasizing the functions of the market made it more difficult for the economy to be planned, leading to the spontaneous tendency toward, and the existence of, anarchy. Not only was this reform unable to achieve its goal, it also created confusion and instability, greatly reducing the speed of development. Yugoslavia's economic development was fast before 1965. For instance, the annual rate of increase in industry from 1950 to 1956 was 8.6 percent on average and 12.2 percent from 1957 to 1965. Between 1965 and 1974, it dropped to 7.3 percent. Further detailed analysis showed that the rate of increase in industry was still 16 percent in 1963. But by 1965, it was reduced to 8 percent, 4 percent by 1966 and 0 percent by 1967. A stalemate like this had never before been experienced since the introduction of autonomy. Faced with these problems, the 9th Congress of the Federal Republic of Yugoslavia proposed a policy to stabilize the economy, adopting a series of measures and further seeking new and better solutions to the development of autonomy.

Stage Three (1971 to present)--During this stage, the system of associated labor was established, making autonomy a part of the entire social system. To end economic confusion, coordinate the relations among all parties concerned and at the same time remain free from administrative interference by the central authorities so that workers could exercise wider autonomous powers, the 9th Congress of the League of Communists of Yugoslavia and the constituion amendment bill of 1971 proposed a format to establish associated labor organizations. The 10th Congress convened by the Yugoslav Communists and the new constitution passed in 1974 confirmed the associated labor principle as a new socioeconomic system. The "associated labor law" was passed in November 1976, providing concrete legal requirements for the principle of associated labor. After that, the form of associated labor organizations was extensively established in the country's industrial, mineral, commercial and agricultural enterprises, and through associated labor, the principle of autonomy permeated every aspect of social life. Various types of autonomous interest communities were built, thus forming a more comprehensive system of social autonomy and bringing Yugoslavia's socialist social autonomy to a new stage. According to the Yugoslave autonomy princple, while the working class plays the leading role, laborers should directly utilize and manage the means of production under the system of social ownership, decide for themselves on the appropriate of the fruits of their labor and be responsible for the development of the entire society. Laborers not only manage factories through workers' committees, but also run state and social affairs by making use of the representative system. Social undertakings such as culture, education, health care and science are integrated with material production for the purpose of developing production.

On the face of it, the organizational form of associated labor rather resembles an associated production company, organizing autonomous enterprises that used to be scattered and independent. According to Yugoslavia's requirements, all units capable of being independent economically as well as in the approrpiation of income may form "primary organizations of associated labor" (for example workshops in large factories or small factories), in which workers can fully exercise their autonomous powers. Moreover, by autonomy agreement, several primary organizations of associated labor may freely form an "associated labor organization" (an intermediary, such as an independent large factory or the head office of a factory). Then on the basis of agreements and of their own free will, several associated labor organizations may form an "associated labor compound organization" (resembling a company). This is the three-tier system of associated labor organization used by Yugoslavia at the moment. To handle business matters (such as planning, finance, supply and marketing, and so forth involving common interests, new organizations called "labor communities" may be set up within the two levels of labor organizations and compound organizations. Among all levels of associated labor organizations as well as among associated labor organizations and labor communities, various types of autonomy agreements are signed to determine the way in which their labor and capital are associated, and their responsibilities and obligations toward one another. One of the principles of associated labor is that all levels of organizations should

be obliged to support one another by making loans to be repaid when they are due. In a situation where state investments and subsidies have been withdrawn, this would strongly support those units that temporarily run into difficulties as a result of poor management. Social contracts are also entered into by associated labor organizations and administrative departments at every level (called sociopolitical communities), providing for the powers and responsibilities of both parties to ensure a planned and coordinated development for the whole society.

To increase the workers' democratic autonomous powers and enable them to better coordinate the interests of the different sectors of society, different types of "autonomous interest communities" (for example education, science, culture, health care) have been set up on the basis of associated labor. There is another type called the "economic interest community" formed by electricity supply and consumption units. An autonomous interest community consists of representatives from production and social welfare units. These representatives will then ascertain how much capital production units should contribute and how much labor service social welfare units should provide. Such a system is termed the "free exchange of labor," normally free from government department interference. At the same time, a "sociopolitical community" is also formed in government departments at every level as a unit in the system of social autonomy. Initial success has been achieved since the introduction of the associated labor system which has played a definite role in putting an end to economic confusion.

The Theoretical Basis for the Autonomy System

The Yugoslav autonomy system is no longer one which increases the autonomous powers of enterprises or a general economic management system with worker participation in management. Nor is it one which deals with the method of management. It has become the fundamental system for the economic, social and political life of laborers as well as all the people of Yugoslavia. It is a complete system, with its own characteristics and different from the social and political system of countries which practice the system of public ownership of the means of production. It is based on a theory of its own.

First, the autonomy system of Yugoslavia is based on social ownership--since its total liberation in October 1944, Yugoslavia, like the rest of the countries of Eastern Europe, practiced the public ownership system in the form of state ownership. In economic management, the Soviet pattern of centralization was then adopted. The centralized and unified planning was all-embracing. All financial expenditure and income was paid for and received by the state while the state also monopolized the purchase, marketing and allocation of products. Yugoslavia was of the opinion that practicing state ownership for a period of time was inevitable and progressive at the early stage of proletarian rule, but it must not be too protracted. This was because while the highly centralized system did play an active role. It was also easy for the system to foster state monopoly and bureaucracy that excluded the direct role of the workers. Therefore, after introducing autonomy by the workers, Yugoslavia gradually discarded the state monopoly system

and adopted that of social ownership instead. To Yugoslavia, social ownership is neither state monopoly nor collective or group ownership. It is certainly not private ownership either. The laws of Yugoslavia provide against any monopoly in allocating the means of production and surplus labor. All means of production in the social ownership belong to the entire society. In other words, they belong to all the people that take part in labor. The characteristic of social ownership is the direct integration of laborers with the means of production. Under this system, the means of production are directly managed by associated laborers and appropriation of the fruits of labor is decided by laborers in the interests of the entire society. It is thought that the ultimate removal of any form of employment relations and monopoly that exists between the workers and the means of production can only be achieved by practicing this system. The social ownership of Yugoslavia can therefore be regarded as socialist public ownership in the form of autonomy.

Second, Yugoslavia's autonomy is linked up with the withering away of the state--the Yugoslavs think, according to the tenets of Marxism-Leninism, that the withering away of a state is gradual and spontaneous. This spontaneous process, however, does not exclude people taking conscientious actions to speed up the progress in accordance with the objective law. The ownership of the means of production being changed from state to social ownership is precisely a reflection of conscientious actions. Moreover, the Yugoslavs made the state apparatus wither away first in the realm of the economy through the practice of autonomy in accordance with the principle that the economy is the base for all social relations and systems. They also think it is logical. In practice, in Yugoslavia, the state and autonomy exist side by side, each with its own function.

Autonomy in Enterprises

In economic units, autonomy is realized through three levels of associated labor organizations. But the basic activities of autonomy are at the grass roots level of associated labor. There are three main management organizations, namely: workers' committees, management committees and managers. In additon, there is the workers' supervisory organization. The relationship among the three main management organizations is like the judicial, legislative and executive functions of a government being separated from one another, and yet they are interdependent and interact with one another to ensure that the democratic rights of the workers and the people are brought into fully play and to practice the system of unification and centralization within the limits of the law.

Workers' committee--This is the most important organization in practicing autonomy for the workers. In the basic organization of associated labor, the body with the highest authority is the workers' plenary session which discusses and resolves all major issues. Organizations with a staff of more than 30 people elect a workers' committee to serve as their representative organ at the workers' plenary session, while those with a staff of

less than 30 people are not represented. Workers' committees are directly elected by the workers' conference through secret ballot and consist of 15 to 120 committee members, depending on the size of the unit. Each member is elected to a term of 2 years and is not withdrawn from production. When the term of office expires, only one-third of the members may be reelected. A workers' committee elects one chairman. As to the terms of reference for a committee, they include formulating internal regulations, passing plans and balance sheets, making decisions on matters such as the use of fixed and liquid capital and forms of loans, appropriating net income after the result of regular accounting of total revenue has been obtained, making decisions on the appropriation of individual income and enterprise funds, electing delegations and representatives to other organizations to attend meetings, handling the relationship between workers when they are engaged in labor, electing and recalling the management committee of its own unit, and so forth. Decisions on all major issues by workers' committees have to be submitted to the workers' plenary session for approval.

Management committee--the executive organ of a workers' committee in charge of day-to-day work. It is responsible to the workers' committee by which its members (usually betwen 5 and 15) are elected from all the staff and workers by secret ballot. Three-quarters of its members must be workers engaged in direct production. The term of office for each member is 2 years during which the member is not withdrawn from production and for which there is no extra remuneration. The terms of reference for a management committee involve the following three aspects: 1) Put forward to the workers' committee proposals and drafts for final accounts, plans, balance sheets, regulations and appropriation methods in respect of all matters that are within the terms of reference of the workers' committees, 2) Study and carry out the decisions made by the workers' committees, and 3) Exercise within the limits of the law and enterprise regulations its functions and powers such as: formulating plans for monthly implementation, studying ways and means of improving production efficiency, appointing and recalling enterprise executives, handling matters relating to labor relations between staff and workers as well as appropriation, setting the labor quota, handling matters relating to the distribution of income of staff and workers and their welfare, paying attention to whether the enterprises are being run in the correct direction, and so forth.

Managers--A system of open recruitment is being practiced in Yugoslavia. There are recruitment committees in enterprises, comprised of workers' representatives, party organizations, unions and concerned local or state administrative organizations. The committee puts forward a recruitment proposal and the decision to go ahead with the exercise and the appointment rests with the workers' committee. A manager is the ex-officio member of a management committee, but he cannot take up the post of chairman of the management committee, nor can he be elected as a member of a workers' committee. The duty of a manager is: to be responsible for organizing and being in charge of the day-to-day business, to organize the operation and management of enterprises and carry out production plans, to enfoce relevant laws and decrees and to observe the requirements of departments in

charge according to the decisions of the workers' and management committees. There are supporting staff or organizations under a manager to assist him in handling daily production business. A manager must, at all management meetings, analyze and report on the work at hand and put forward suggestions to solve problems. He is responsible to the workers' committees as well as the corresponding state organizations for the enterprises' adherence to the law. Legally, he represents the enterprises and in his dealings with state organizations, he is regarded as a member of the legislature. Compared with what he had to do during the early stage of autonomy, a manager now has a much shorter list of duties. However, he does have the power to veto the decision of a workers' committee that contravenes the laws and rules of the country, but he must report the matter to his superior responsible department for a ruling.

Workers' supervisory committee--Actual practice of the workers' supervisory system in Yugoslavia dates back to 1974, with the most prevalent form being a workers' supervisory committee. Members of such a committee are directly elected by the workers' plenary session. They remain in office for 2 years and may not be reelected. No members of workers' or management committees or staff of business management organizations may serve on it. It workds independently and its job is to examine and expose any violation by enterprises of workers' autonomous rights. It also has the power to examine enterprises' documents. Should differences of opinion occur in the workers' committee, it may report the matter directly to the workers' conference for arbitration. If no action is taken by the workers' committee or the workers' conference to solve the problems raised, it may report the matter directly to the autonomous arbitration attorney or state judicial organs such as the associated labor court. Furthermore, it has the right to suggest that the local parliament stop enforcing decisions of the workers' committee that contravene the laws of the country and violate autonomous rights.

There are two more forms of autonomous organizations outside enterprises. First, there are the associated economic associations (or the economic associations), each made up of one particular trade and established by the localities, republics and the Federal Republic. At present, there are a total of 18 trades. An associated economic association is a unique organization, regarded by Yugoslavia as a form of associated labor or an extension of this. All enterprises must join the association and become members on payment of membership fees. Representatives from the enterprises are chosen to attend the association plenums to discuss major issues of common interest and to reach agreement on problems such as prices and levels of income for mutual compliance. As for economic issues, the full association proposes statutory drafts to parliament. This kind of association is a social organization, but it also assumes some of the state functions to a certain extent. However, it tends to solve problems through negotiation rather than adopting compulsory administrative means. Second, there is the associated labor council (originally called the producers' council) set up by all parliaments. This is also a unique form of organization in Yugoslavia. All enterprises elect representatives to serve on the council in proportion to their contribution to society (according to their social production value), who then represent the interests of their own enterprises and laborers.

Production Plans for Autonomous Enterprises

Following the development of autonomy, Yugoslavia abolished the system of centralized and unified planning from 1952, and practiced that of social planning which only determined the basic ratio. Later, as too much importance had been attached to the function of the market and the role played by planning had been neglected, a state of anarchy ensued. In the 1970's, strengthening of the role played by social planning was stressed and attention was paid to the integration of market readjustment with planned guidance. At present, in some of the important economic sectors such as power, raw materials, machine building and foodstuffs which concern the national economy and the people's livelihood, the market plays a smaller role and the control by planning is tighter. But in light industry and sectors where the relationship between supply and demand is difficult to reflect by means of plans, markets play a bigger role.

All autonomous enterprises independently draw up their own production plans which do not have to be reported to the state organizations for approval. But they cannot do things at will. Instead, they have to act in accordance with the principles, context and procedures of the law (the "Law of Social Planning" was published in 1976), and fulfill the specific obligations as required by autonomy agreements (contracts made between enterprises) and social contracts (contracts made between enterprises and government organizations). At the locality and republic levels, there are social contracts spelling out the obligations enterprises must perform such as tax quotas, contributions for the common needs of society and the lowest percentage of depreciation for enterprises. The supply of products is all determined by autonomy agreements. This is the basis on which enterprises make plans. After plans have been worked out, they are first coordinated at the three levels of associated labor organizations, then outside the enterprises, then at the locality and republic levels, and finally the social plans for the whole country are hatched.

At the basic level of associated labor, drafts by economic and planning experts as well as by workers' representatives are first recommended and then referred to the workers' plenary session for discussion and approval after the workers' committee has discussed and amended the drafts itself. When the plans submitted by all the basic levels are collected by the associated labor organization, they then become the plans for that organization.

Price is a very important factor in the production plans and all agreements reached by the enterprises. In Yugoslavia, prices are fixed naturally in accordance with the market needs. But it does not mean that enterprises can fix the prices as they think fit. There are certain restrictions and limitations. As far as industrial products are concerned, there are five categories of prices: 1) Prices that can be fixed freely. They are the prices for 33 percent of the total industrial products such as foodstuffs, confectionaries, spirits, and ornaments; 2) Prices that can be fixed freely on the basis of mutual agreement in the same trade. They represent prices

for 20 percent of all industrial products including textiles, leather, furniture and rubber; 3) Prices that can only be fixed after autonomy agreements for a standard price have been signed and submitted to the Federal Price Bureau for approval. They represent the prices for 17 percent of all industrial products such as automobilies, farm implements and products of the chemical industry; 4) Prices that can be readjusted freely within a certain limit according to fluctuations in the international markets after a social agreement specifying the requirements has been signed between the producers, consumers and the Federal Republic. They represent the prices for 20 percent of all industrial products such as metallurgy and ferrous metal products, and 5) Prices that are controlled by the Federal Republic. They account for the prices of about 10 percent of all industrial products including tobacco and petroleum products.

Under the leadership of the League of Communists of Yugoslavia headed by Comrade Tito, the people of Yugoslavia have been practicing autonomy for 30 years. The system has played a significant role in bringing into play every positive factor of enterprises and arousing the enthusiasm of the staff and workers, developing the economy and improving the people's standard of living. Speaking from a macroscopic point of view, there is still room for improvement in how to keep developing the national economy in a planned, balanced and proportionate way. At the moment, the League of Communist of Yugoslavia and the people of Yugoslavia are carrying out Comrade Tito's behest and taking positive measures to try and solve the problems so that the autonomy system can be developed and perfected.

CSO: 4006

BRIEFS

YUNNAN RURAL HOUSING FORUM--From 25 to 28 August, the Yunnan Provincial People's Government held a forum in Kunming on housing construction in the countryside throughout the province. The participants urged various areas to make overall plans for housing construction, rely on their own efforts, adapt to local conditions and transform the backwardness of housing in the province's countryside as soon as possible. It is necessary to obtain a clearer picture of the necessity and urgency for housing construction in the ccuntryside. The party committees at all levels must pay very serious attention to implementating policy, and give full play to the activism of the collectives and commune members. Ownership of the commune members' houses and means of livelihood belong to the commune members. It is also necessary to economize on the use of land, try by all ways possible to make use of barren land slopes, and effectively prevent the unscrupulous occupation of farmland. If farmland must be occupied, approval must be sought from the departments concerned. At the same time, it is necessary to protect the forests, and prevent unscrupulous lumbering. [HK080720 Kunming Yunnan Provincial Service in Mandarin 4 Sep 80]

HUBEI PRODUCTION SAFETY CIRCULAR--The Hubei Provincial People's Government recently issued an urgent circular on further strengthening production safety. The circular said that after the publication of the State Council decision on the Bohai No 2 incident, a strong response has been aroused throughout the province. This has shown the great concern of the party and state for the staff and workers. The circular pointed out that there are still many problems in production safety in the province. It said that the possibility of landslides exists threatening state property and people's lives. The leadership at all levels must include production safety and labor protection in the important daily agenda. It is necessary to seriously handle the suggestions and criticisms of the workers, technicians and experts on production safety and give full play to the supervisory role of the masses. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 31 Aug 80 HK]

SHANDONG INDUSTRIAL READJUSTMENT--The Shandong Provincial CCP Committee recently held a work conference on readjusting industry and called for efforts to do the following work well: 1) Bring into full play the regulatory functions of the market. 2) Upgrade the quality of products, conserve energy, increase profits and raise production levels and competitive capabilities of products. 3) Popularize economic integration and accelerate industrial development. 4) Do a good job in pilot work on expanding the power of self-management in enterprises. 5) Raise people's concepts on production safety and strengthen leadership over this work. [SK062252 Jinan Shandong Provincial Service in Mandarin 2300 GMT 4 Sep 80]

CSO: 4006

BRIEFS

TIANJIN LABOR EMPLOYMENT--The Tianjin Municipal CCP Committee and People's Government held a work conference on labor employment in Wuqing County 4-9 September. The conference noted that in the January-July period, 189,000 unemployed youths throughout Tianjin Municipality were offered jobs, accounting for 48 percent of the total youths awaiting jobs in Tianjin. However, there are still 270,000 jobless youths in Tianjin. Therefore, the conference urged departments and units concerned to vigorously establish cooperatives, urban and rural joint enterprises and develop the collective economy and individual business to achieve an early success in settling jobless youths. [SK110944 Tianjin City Service in Mandarin 2330 GMT 9 Sep 80]

GANSU PRIVATE BUSINESSES--At the 6 September conference of responsible persons of party and CYL organizations at all levels directly under the provincial authority, Xu Feiqing, deputy governor of Gansu Province, pointed out that the province has few households engaged in private labor and business. As far as Lanzhou Municipality is concerned, there are some 2,000 such households and among them some 970 were approved by the administration of industry and commerce. He suggested that the number of such households should be expanded to 10,000. [SK082343 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 7 Sep 80]

SHANDONG INDUSTRY--Industrial and communications departments in Shandong Province scored satisfactory achievements in August. Total industrial output value was 3.77 percent higher than in July and 10.5 percent higher than in the corresponding 1979 period. Major collieries overfulfilled the coal production plan by more than 43,000 tons. Major power departments overfulfilled the power production plan by 60 million kwh. Railway and local automobile transport plans were also overfulfilled in August. [SK070249 Jinan Shandong Provincial Service in Mandarin 2300 GMT 5 Sep 80]

SHAANXI BOHAI-2 NOTICE--On 27 August, the Shaanxi Provincial People's Government issued a notice on seriously studying and implementing the State Council decision on the Bohai No 2 incident. In connection with the individual situation, all areas, departments and production units must immediately organize the cadres at all levels to seriously study and implement this lesson, improve the style of work and strive to do a good job of production safety. [HK041216 Xian Shaanxi Provincial Service in Mandarin 1400 GMT 28 Aug 80]

SHANDONG LABOR PROTECTION MEETING--The Shandong Provincial Council of Trade Unions and the provincial labor bureau recently held a work conference on labor protection. The conference studied the State Council decision on the Bohai No 2 accident and the circular issued by the provincial party committee and the provincial People's Government on implementing the State Council decision, examined our province's labor protection work and formulated measures on strengthening labor protection. The conference urged leading cadres at all levels to place safety above all else, heed the lessons learned from the Bohai No 2 accident and exert concerted efforts to promote labor protection work in line with actual conditions. Labor departments at all levels and various enterprises should support and respect the guidance and assistance offered by trade unions for labor protection and production safety. [SK121110 Jinan Shandong Provincial Service in Mandarin 2300 GMT 11 Sep 80]

TIANJIN INDIVIDUAL BUSINESS--Tianjin authorities issued 242 new individual labor and business licenses between 1 August and 20 August. Tianjin has some 3,900 households engaged in individual labor and business. [SK062300 Tianjin City Service in Mandarin 2330 GMT 4 Sep 80]

SHANGHAI INDUSTRIAL PRODUCTION--Shanghai, 5 Sep (XINHUA)--Shanghai, China's leading industrial city and foreign trade port, last month had a 9.5 percent-increase in terms of industrial output value and a 27.4-percent increase in terms of export volume compared with August 1979. Industrial output value from January to August was 8.9 percent more than in the same period of 1979. Total output value of light industry (including textile and handicrafts), which accounts for 51.7 percent of the city's total, went up by 14.4 percent. The output of 40 products, including bicycles, wristwatches, cameras, TV sets, knitting wool, chemical fertilizer and nonferrous metals, rose by more than 10 percent. Shanghai port handled 12 percent more cargo in August than in the same month last year. [Beijing XINHUA in English 0732 GMT 5 Sep 80 OW]

CSO: 4020

FUELS AND POWER

GUANGDONG'S ENERGY SHORTAGE REPORTED

HK310652 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 30 Aug 80

[Report on 31 August NANFANG RIBAO article by commentator: "Rely on Conservation To Avoid the Energy Shortage in the Province"]

[Excerpts] The article says: The establishment of a light-duty economic structure in Guangdong possesses the superior features of resources, technology and exports. However, at the same time, there is also a serious weakness: energy shortage. Unless we can correctly avoid this shortcoming, we will be unable to bring into play the strong points of light and textile industries and handicrafts.

How then are we to go about solving the energy problem? The central authorities have put forward a clear-cut principle: simultaneous stress on exploitation and conservation, with priority given to conservation in the short term, and carrying out reforms of the economic structure and of technology centered on conservation. This guiding principle fully conforms to reality in Guangdong. For the next 5 to 7 years, or for even a bit longer, Guangdong must rely on conservation to avoid its energy shortage. There must be no more vacillating or wavering on this point.

The article says: Guangdong has devoted great effort to energy exploitation since liberation. However, there have been many difficulties due to the limits imposed on us by our natural conditions. Guangdong's coal reserves are scanty and the quality of the coal is poor. Exploitation and utilization of this has already been carried out in most places where the coal resources are relatively good. As for hydropower resources, although Guangdong is relatively rich in these, not many of them are suitable for building large and medium power stations requiring little investment and producing good economic results. Although the prospects for oil resources are good, accurately surveying the resources, formally starting exploitation and translating them into energy sources are not things that can be done in a short period of time.

Summing up all this, Guangdong indeed faces a problem of "distant waters unable to quench current thirst" in its energy exploitation and utilization. To quench this thirst, we must therefore rely on conservation.

The article says: Guangdong has great potentials in energy conservation. According to incomplete statistics, the effective utilization rate of thermal energy in the province is about 28 percent, some way behind Shanghai and other progressive areas in China and still further behind advanced foreign standards. In future, we must shift our basis of work and focus of vision, and consider problems and draw up plans from the viewpoint of energy conservation.

To carry out reform of the economic structure centered on energy conservation in our province means establishing a light-duty economic system, readjusting the proportions of light and heavy industry, cutting down certain heavy industries and certain heavy consumers of coal, power and oil, and placing emphasis on developing labor-intensive light and textile industries with low input consumption. Another important aspect of improving the energy utilization rate is to strengthen enterprise management and carry out technological reform focussing on conserving energy.

In energy exploitation, we should simultaneously develop hydropower and thermal power. For a time to come, we should strengthen the exploitation of the province's medium and small hydroelectricity resources, relax the policies on running small hydroelectricity stations, and insure that the localities and the communes and brigades gain benefit from running such stations, to mobilize everyone's enthusiasm for running them.

CSO: 4006

ZHEJIANG FOLLOWS PRACTICAL COURSE TO SPEED UP POWER CONSTRUCTION

Hangzhou ZHEJIANG RIBAO in Chinese 4 Jul 80 p 1

[Article by Wang De [3769 1795] and Meng Yunsheng [1322 0061 3932]: "Zhejiang Province Accelerates Power Construction Realistically"]

[Text] In the last 2 years, our province's power industry has resolutely implemented the policy of readjusting, restructuring, consolidating and improving the national economy and, by proceeding from the actual conditions of our province, newly built, expanded or transformed 56 hydroelectric and thermoelectric generators of over 500 kilowatts each, increasing the installed capacity by 560,500 kilowatts. Among these, the speed of thermal power development had its fastest 2 years since liberation.

To accelerate the construction and expansion of power plants, both thermal and hydroelectric, is a fundamental measure to alleviate the contradiction between the supply and demand of power in our province. In more than 2 years, to counter our province's weakness in the inadequacy of the installed capacity of thermal power, the Provincial Party Committee and the Provincial Government laid stress on strengthening thermal power construction to satisfy the demand of power for our province's industrial and agricultural production, and to give better play to the role of the Xin'an and Fuchun hydroelectric stations in regulating peak loads. In the construction of large thermal power plants, a policy of concentrating forces to fight a battle of annihilation has been adopted, and the speed of construction is insured from the three aspects of manpower, financial capacity and material resources. The Zhenhai Power Plant is the largest thermal power project built by our province in the last 2 years. The entire construction took only 2 years and 10 months, and installed 2 units of 125,000 kilowatts each without a hitch. It was dubbed a "top quality project" by the Provincial Construction Commission. By the end of May this year, this power plant had generated 1.44 billion kilowatts of power, and played a positive role in easing the power supply of areas in east Zhejiang.

An important way to accelerate power construction to perfect the equipment, tap potential, and improve the power plants we now have. In the last 2 years, many power plants in our province have been improved, including those of Meixi in Anji, Banshan in Hangzhou, Changxin and Meiyu in Wenzhou, increasing the power output by 38,500 kilowatts. The Meixi Power Plant formerly had a pair of secondary high-voltage generators, its equipment was incomplete, and its output could not attain the specified rate. From the end of 1978, the plant began to improve its generators, circuits, boilers and transformers, and not only improved their safety and economy but also increased the output by 10,000 kilowatts. The result was very satisfactory.

In the last 2 years, our province's power industry has also upheld the policy of walking on 2 legs, brought into play the enthusiasm of the localities, built and expanded 5 small thermal power plants of Dinghai, Daishan, Ma'anshan in Huangyan, Sanmen and Yuhuan and 36 small hydroelectric generators of over 500 kilowatts each, and increased the output of power by 220 million kilowatts every year, thus greatly mitigating the pressure on the major power networks. At present, our province still has 285,000 kilowatts of hydroelectric generators and 287,000 kilowatts of thermoelectric generators in the course of construction and expansion.

9039
CSO: 4006

SPREADING NEW TECHNOLOGY, EXPLOITING ENERGY POTENTIAL

Beijing GUANGMING RIBAO in Chinese 4 Jul 80 p 2

[Article by Hong Minsheng [3163 2404 3932]: "Promote New Technology and Tap Energy Resources"]

[Text] To promote mass energy-saving campaigns, the All-China Federation of Trade Unions, the China Scientific and Technical Association and the State Economic Commission recently held in Tianjin a joint meeting of people from various cities of the country to exchange their work experience in using energy and practicing economy.

The main topic of this meeting was to exchange the results of studies on new techniques of saving energy and in the use of new energy sources. At the same time, they exchanged experiences from labor competitions, rationalization proposals, energy management, science popularization, and other such mass campaigns launched in the energy-conservation drive. Last year, the entire country began to pay attention to saving energy, and saved throughout the year 23 million tons of coal, 2.8 million tons of oil and 7.8 billion kwh of electricity. Therefore, although last year energy production increased by only 2.84 percent, industrial production was guaranteed an increase of 8.5 percent, achieving both energy savings and increased production. In the first quarter this year, the consumption of energy for every 10,000 yuan of industrial output value was cut down by 10 percent in comparison with the same period of last year, surpassing the requirement of the annual plan for saving energy. From January to April this year, the total output of energy production of the whole country increased by 1.5 percent in comparison with the same period of last year, but the total industrial output value increased by 14.1 percent. With comparatively less consumption of energy, we gained a quicker development of production.

At the meeting the delegates from 15 cities, including Beijing, Shanghai, Tianjin and Harbin, and specialists and scholars in concerned fields gathered and exchanged techniques in energy conservation, particularly those being popularized and used in various places in China at present, such as far infra red heating, new insulating material, advanced burner

nozzles, industrial kiln and furnace improvements, the use of surplus heat and new energy sources such as solar energy and marsh gas, the conservation of gasoline for automobiles and coal saving devices in households. According to statistics from 21 provinces, municipalities and autonomous regions, the new technique of far infra red heating has been popularized and used on electric heating equipment operating below 600 degrees centigrade and using a total of 790,000 kwh. If the degree of popularization reached 61 percent, 800 million kwh of power and more than 80 million yuan in funds could be saved in a year. However, only 16 million yuan was spent in 2 years for popularizing new energy-saving techniques, saving energy.

One of the important reasons for our country's high consumption of energy at present is that the waste of energy is astonishing in enterprises which are poor in energy control. According to investigations by some enterprises, the waste of energy caused by poor management constitutes 30 percent of the total waste, and sometimes even approaches 40 percent. To make a success of energy control, it is necessary to mobilize and rely on the broad masses. The General Chemical Plant of the Anshan Steel Co organized its staff members and workers to participate in the control of energy with the attitude of masters of the factory, and 97 percent of them took part in the work of inspection, readjustment and reform. More than 7,000 cases of waste were found by 5,000 workers, and over 5,000 cases have been rectified at present. The Shanghai State Cotton Textile Mill No 17 set up a four-level energy control network: an energy control leading group at the factory office and worksite, energy control posts in workshops, energy control guards in workers' groups, and clearly defined responsibilities for energy control at each level. As the broad staff members and workers truly took part in management, last year this mill increased its total output value by 16.4 percent, and cut down its consumption of energy across the board.

Another reason for the waste of energy is the backwardness of technical equipment and technology. The main way to raise the ratio of energy utilization is to improve backward production technology and equipment, and to spread new energy-saving techniques. The Tianjin Chemical Works has now carried out 21 projects of technical reform for energy conservation, among which one project alone, that of replacing the graphite anode in an alkaline-liquid cell with a metal anode saved 4 million kwh in a year.

The meeting also held a small-scale exhibition of actual articles to show to the delegates some new materials, new techniques and new equipment proved to be effective for energy conservation.

9039
CSO: 4006

DEVELOPMENT OF USE OF MARSH GAS DISCUSSED

OW020007 Beijing Domestic Service in Mandarin 1200 GMT 1 Sep 80

[Station reporter's commentary: "Developing the Use of Marsh Gas Is an Important Way To Solve the Energy Problem in Rural Areas"]

[Text] At present, Chinese rural areas face a shortage in fuel supply for civil use, and the supply of diesel fuel for machines is also insufficient. It is impractical to lay the entire burden on the state to solve the energy problem for rural areas. In addition to the planned annual supply of coal and diesel from the state, the vast countryside should solve the problem of fuel supply itself.

One way to solve the problem of insufficient supply of fuel in rural areas is to develop the use of marsh gas. According to estimates by the relevant departments, if a half of the human night soil, animal dung and plant stalks of the whole country are used to develop marsh gas, then the daily needs for fuels by rural households will be met, and hundreds of thousands of small-scale marsh gas supply stations and marsh-gas electricity generating stations will also be established.

The development of the use of marsh gas has three characteristics: lower cost, bigger profit and convenience. Most rural households are able to develop it. A five-member household needs only about 50 yuan to build a 10-square meter marsh gas pit and thus can basically meet its needs for daily life.

At present, some 7 million marsh gas pits have been built in Chinese rural areas for the needs of daily life and are used by some 30 million commune members.

To further develop and use the energy resource for daily life and vigorously popularize the use of marsh gas, the leadership of all levels should regard the building of marsh gas facilities as an important task toward solving the energy problem for rural areas, the development of production, and the concern for peasants' life. The people's governments at all levels should include in their plans the building of marsh gas facilities, ensuring of the supply of funds and materials, strengthening the scientific research for marsh gas and solving well the technical, management and other problems, so that a great development can be achieved in building marsh gas facilities in Chinese rural areas.

CSO: 4006

JIANGSU IMPROVES POWER SYSTEM MANAGEMENT

Nanjing XINHUA RIBAO in Chinese 19 Jul 80 p 1

[Report by Wang Zhisan [3769 2784 0005] and Zhang Jianhua [1728 3362 5478]: "Strengthen the Power Consumption Management of the Electric Power System of the Whole Province; Support the Draining of Flooded Fields in Villages and the Production of Light Textile Industry"]

[Text] Staff workers of the provincial electric power system are striving to strengthen the management of power consumption. During the first half of the year, power generation increased, coal consumption decreased and income rose, giving vigorous support to the draining of flooded fields in villages and to the production of the light textile industry.

Starting in May, one place after another entered the period for agricultural irrigation, and since June there has been considerable power consumption for draining flooded fields. Electric power departments carried out management in a timely manner and increased power supply targets that would basically suit the needs of antidrought irrigation in an earlier period, as well as the recent drainage of flooded fields. They also have strived to guarantee the power consumption needs of the light textile industry, enabling its production to increase by 33 percent over the same period last year. The provincial electric power system also verified the individual consumption of major products and determined supply targets. Units exceeding consumption quotas were urged to make improvements within a specific time. On the basis of learning from Zhejiang and Gantong County, nitrogenous fertilizer trades throughout the province reduced power consumption by 10 percent from last year's figure for each metric ton of synthetic ammonia produced. During the first half of this year, 63 million kilowatt-hours of electricity were saved. The power consumption of major products in the whole province, including yellow phosphorus, caustic soda, calcium carbide and electric steel, all decreased, saving a total of 150 million kilowatt-hours.

Throughout this year, the provincial electric power bureau has launched a movement to develop an in-depth production increase and economization

among affiliated plants and enterprises in the system, to generate and supply more power, and to exert efforts to improve the supply of power in support of industrial and agricultural production. The high-efficiency, low-consumption units of the four main Nanre, Xuzhou, Jianbi and Tianshenggang electric powerplants have generated more power. Other medium thermoelectric and medium-voltage powerplants assumed the regulation of peak demands. Small units with high coal consumption basically stopped generating power. Statistics from January to May alone show that coal consumption for the supply of power to the whole province was down by 13 grams per kilowatt-hour compared to the same period last year. This saved over 90,000 metric tons of standard coal, equivalent to an extra 210 million kilowatt-hours of electricity. During the first half of the year there was better management in reducing damage to powerlines, thus saving over 7,000 kilowatt-hours. Plants and enterprises of the provincial electric power system also paid close attention to production safety as well as to equipment inspection and repair. Equipment accidents decreased by 44 percent compared with the same period last year. The Jiawang and Qishuyan powerplants had a 500-day period without an accident. The Provincial Electric Power Network Management Institute created a safety record of 1,000 days.

9586
CSO: 4006

EXPLOITATION OF BAOTOU'S MINERAL RESOURCES HIGHLIGHTED

Beijing GUANGMING RIBAO in Chinese 24 Jul 80 p 1

[Report by Lu Yonglong [7120 3057 7893] and Hu Youquan [5170 2589 3123], our reporters: "Comprehensive Utilization of Baotou's Resources Has Made Significant Progress"]

[Text] The Bayan Obo deposit in Baotou contains sizable iron reserves, rare earth unique in the world, and extremely valuable rare metals including niobium and scandium. The reserves of some of its rare-earth metals represent 98 percent of the nation's total, exceeding the total of other countries in the world. The variety of light rare-earth metals is complete, and the quality is superior. Comprehensive utilization of resources of this large intergrowth mineral deposit uncommon in the world has made new and significant progress on the original foundation in even greater scope during the past year. Iron and steel production rapidly advancing; rare-earth production is continually developing; technical difficulties are repeatedly being overcome; the future is broad for their popularization and use; rare-earth commodities already are entering the international market.

In the past year, geological prospecting and scientific research have made new achievements in many areas. Verified reserves of iron, rare earth, niobium, and scandium are quite impressive. For the first time, almost 10 kinds of minerals including wisaksonite, bragite, and neodyminium cerianite were discovered at the Bayan deposit. Scandium, a valuable and rare element, was also found. According to preliminary verification, there are over 300 million metric tons of high-grade potassium slates high in potassium oxide content. In-depth study has been carried out on the cause of the formation of the Bayan deposit, which has been a subject of debate for many years. Most specialists have held the view that deposit metamorphism and deutero-hydrothermia of the Bayan intergrowth deposit transformed into the deposit, and they continue to obtain proof of this from geological prospecting and scientific research.

Testing for comprehensive recovery of iron, rare earth, and niobium has also made encouraging progress. The Bayan deposit is a special intergrowth deposit that contains over 20 useful elements. An unsolved problem in the

20 years since the founding of the Baotou Steel Mill has been how to conduct a simultaneous ore separation for iron, rare earth, niobium, manganese and other useful metals, and at the same time assure relatively high grades and satisfactory recovery rates. In the past year, concerned scientific research units and plants in the whole country cooperated closely with each other. Proceeding from the reality of the Baotou Steel Mill, they sufficiently developed the potential of present ore separation primarily to extract iron. The first technological process to recover rare earth and other minerals has been semi-industrially tested with exceptional success. The grade of iron concentrate separated rose from 56 to 62.83 percent, and the recovery rate increased from 60 to 83.98 percent. The rare-earth recovery rate increased from 2 to 22.45 percent for manganese, while the high-grade rare earth separated reached 61.91 percent. The content of fluorine in iron concentrate decreased from 3 to 0.3 percent, and even the phosphorus content is reduced greatly. The second technological process--primarily the extraction of rare earth and the comprehensive recovery of niobium--broke original bounds and explored new avenues to develop the superior resources of the Bayan deposit. After continuous experiments in ore separation, the secondary rare-earth residue produced by medium lean ore through blastfurnace smelting increased the recovery rate of rare earth by 42 percent over the first technological process. The elements contained are numerous. High-grade rare-earth concentrate was separated, and high-quality rare-earth alloys were refined. A variety of elements were comprehensively utilized, obtaining nonradioactive-waste residue which can be discharged directly, thereby reducing environmental pollution. But the problem of the high energy consumption and low recovery rate of iron still needs to be resolved. How these two technological processes can henceforth excel, supplement each other, jointly improve, and open up a rational and feasible method of ore separation for the comprehensive utilization of the resources of the Bayan intergrowth deposit is a significant subject that requires continued study.

Scientific research in rare-earth metallurgy has achieved a certain degree of success, and the five technological processes for breaking down the Bayan rare-earth concentrate have also completed the experiments for industrial expansion. Of these, the caustic soda method and concentrated sulphuric acid enforced baking method are already used in production, after appraisal. Production of rare-earth concentrate and commodities is expanding. The recovery rate of rare-earth chloride has increased from 50 to 70 percent at reduced cost.

There have been certain breakthroughs in popularizing the use of rare earth. Early steps have been successful in overcoming the two technological difficulties of wart formation and low-proportion inclusion in its use in steel. Research on the mixing method of several new kinds of rare earth in steel has also been successful. The mold interior suspension method, steel inclusive compression method, and continual casting crystallizer rare-earth feeding method have entered industrial testing. In the past year, the Anshan Iron and Steel Works recovered and developed a batch of rare-earth steel. The quality of rare-earth magnesian nodular iron has also been

enhanced. The research and utilization of rare-earth creeping black cast iron have also developed speedily. Utilization of new rare-earth materials has broadened in many ways. Rare-earth perpetual-magnet electric machinery and wind-driven generators have been successfully developed. Hydrogen storage materials are used in automobiles and meteorology for the first time. Lanthanum boride monocrystals have been successfully developed for the first time as materials for new electronic anode discharge which have a lifetime several hundred times longer than the commonly used tungsten and tantalum anodes. New high-power batteries, vacuum magnetic transmission devices, and rare-earth lanthanum chromate hyperthermal materials were also successfully developed. The scope of application of rare earth in agriculture, light industry, petroleum, chemical industry, and national defense is broad. Analytical and experimental work on rare-earth elements have made progress.

The Ministry of Metallurgical Industry convened a conference on scientific research into the comprehensive utilization of Baotou's resources from 17 to 22 July in Baotou. The 172 specialists, professors, and professional technical personnel from 75 units in the nation as well as representatives of concerned state organs and some enterprises earnestly summed up the result of scientific research on the comprehensive utilization of Baotou's resources, and they discussed and formulated the 1980-81 program. Everyone felt that the comprehensive utilization of Baotou's resources in the past are full of great achievements, and that future prospects are bright. At the close of the conference, Vice Premier Fang Yi of the State Council made an important speech, and Vice Minister Zhang Yimin of the Ministry of Metallurgy gave a summary statement. Minister of Metallurgy Tang Ke and Vice Minister Zhou Chuandian participated in the conference, as did Inner Mongolia Autonomous Region Chairman Kong Fei and Vice Chairman Li Binsan [2621 2430 0005].

9586
CSO: 4006

BRIEFS

JILIN GOLD PANNING--(Shi Yutai), a 65-year-old commune member at (Liangjiang) Commune, Antu County, Jilin Province, learning of the state's need for gold, has led seven people to pan for gold. They began on 18 July and, as of 26 August, had collected 264.2 grams of placer gold. They had sold 31.9 grams to [the] state. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 5 Sep 80 SK]

GANZI GOLD OUTPUT--During the first half of 1980, Ganzi Zhou in Sichuan produced 574 liang (Chinese ounces) of gold, topping the annual output quota by 14.8 percent and nearly doubling that of the same 1979 period. This year, the number of gold-producing counties in the zhou has increased from 12 to 15. Ganzi and Baiyu Counties have surpassed their annual output quotas by a big margin, while Seda, Litang, and Kangding Counties produced more than 100 liang of gold. [Chengdu SICHUAN RIBAO in Chinese 23 July 80 p 1]

CSO: 4006

DEMAND FOR BEER FAR EXCEEDS THE SUPPLY NATIONWIDE

Beijing GUANGMING RIBAO in Chinese 28 Jul 80 p 1

[Article by Dong Kegong [5516 0460 1872] and Song Guangming [1345 0342 2494], our reporters: "Beer Industry Should Be Strongly Developed; Interview With Engineer Guan Dunyi"]

[Text] Since the beginning of summer, the demand for beer has been greater than the supply in Beijing and other big cities. People often form long lines under the hot sun and have to leave in disappointment after a long wait. We have received letters from some readers in cities and towns, including those in faraway border regions. They say that it is more difficult to find beer in their areas. Why is beer so popular, and why is it so difficult to buy?

We recently visited Guan Dunyi [4619 2415 0308], an engineer at the Food and Fermentation Institute of the Ministry of Light Industry. When we came to the question of why beer is popular, he laughed and gave us the following introduction:

The word "pijiu" is the transliteration of beer in English and bier in German. It is brewed after germination, saccharification, and fermentation, using barley and other cereal or carbohydrates, water, and hops as raw materials. It has a low alcoholic content, as ordinary beer contains about 3.5-percent alcohol (the "erguotou" of Beijing contains 65 percent). Usually, when beer is said to have 12 degrees, it refers to its concentration of mash. In terms of color and luster, beer is classified into light beer, dark beer, and brown ale. According to mash concentration, it is classified into high and low alcoholic content. According to the method of production, it is classified into draft beer (also called fresh beer) and matured beer. The major difference between draft and matured beer is that matured beer undergoes an additional Daobashi sterilization process. Matured beer is easier to store but cannot compare to draft beer in taste.

What is the nutrition value of beer? Engineer Guan said: The calorie content of a liter of beer is equivalent to that of 6 or 7 eggs, 65 grams of cream, or half a jin of rye bread. Every liter contains about 0.1 milligram

of vitamin B_1, about 1 milligram each of B_2 and B_6, 5 to 20 milligrams of nicotinamine, and about 1.5 milligrams of pyridoxine. It also contains vitamin H and a great amount of inositol, choline, etc. Beer is not only rich in nutrition, but its nutrients are of simpler molecular amino acids and carbohydrates which can be easily absorbed by humans. As it has a low alcohol content, drinking appropriate amounts of beer is very beneficial and not harmful to the body. One other characteristic of beer is that it has a fine white foam and sufficient carbon dioxide to provide people with a fresh and cool feeling. It is therefore a favorite beverage in summer. At the Ninth World Conference on Nutritious Foods in 1972, beer was listed as a nutritious food.

We also asked: "What, then, is the history of beer and its present state?"

Beer originated in the coastal areas of the Mediterranean. Barley was used to make beer in Yashu (today's Syria) 9,000 years ago. Beer was introduced into Europe through Egypt and into the Orient in about the 18th century. It is a new and developing alcoholic drink in our country, with a history of only some 70 years. Before liberation there were only 10 breweries in our country, with an annual output of under 10,000 metric tons. At present, the country already has 150 breweries (shops), with output reaching over 500,000 metric tons. Not only is this far from the world level, but it is highly insufficient to satisfy domestic needs. Beer has the highest consumption level of any alcoholic beverage in the world. The total world output in 1978 was over 85 million metric tons. The average annual consumption per person is 147 liters in West Germany, over 40 liters in the Oriental country of Japan, and under 0.4 liter in our country. The annual output in Beijing is only about 50,000 metric tons. According to the statistics of concerned departments, 120,000 metric tons are needed to satisfy the market needs in Beijing.

Engineer Guan then talked about his views on how to speedily develop our country's beer industry. To put it briefly, it is necessary first to further strengthen scientific research, second to transform present equipment and construct large breweries, and third to establish a base of raw materials.

After the interview we did some investigating. According to our understanding, our country's scientific research on beer has achieved a certain degree of success since the founding of the state. The preservation period of beer has been lengthened from 2 months to over a year, reaching international levels. We have also shortened the aging process. The fermentation period has been reduced from about 10 days to 4 or 5 days, and the storage period from 2 or 3 months to half a month. However, there is more work to be done in scientific research on beer. It is particularly necessary to increase the strength of malt and cultivate an even greater variety of barley suitable for making alcoholic beverages.

Raw materials are the basis for developing the beer industry. Barley is grown when the land lies fallow, so this does not affect the growth of paddy rice and late autumn crops. That is why many varieties are grown in our

country. Barley is mainly used as animal feed, however, and quite a few varieties are not suitable for brewing. One jin of barley suitable for making beer can yield 5 or 6 jin of alcoholic drink. Each metric ton of beer produced can provide 200 yuan of industrial profit tax revenue for the state annually. People do not understand why it is impossible to speedily construct a raw material base suitable for making beer.

The present production equipment for beer is old and backward, and this is another important reason hindering the development of the beer industry. According to our understanding, an investment of 3 million yuan would be sufficient to transform our breweries' annual output capacity from 25,000 metric tons to 50,000 metric tons each. This amount could be recovered in 3 years. Why do we not develop the industry enthusiastically?

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PLANS TO INCREASE BICYCLE PRODUCTION REPORTED

Beijing BEIJING RIBAO in Chinese 29 Jul 80 p 1

[Report by Li Youbin [2621 0642 1755]: "Beijing Bicycle Main Plant Jointly Operates Plant With Suburban Farm and Country-Run Enterprises; Bicycle Production Capacity Can Increase by 30 Percent"]

[Text] After more than a month of trial production, the Beijing Yinghai Bicycle Parts Plant jointly set up by the Beijing Bicycle Main Plant and the Yinghai branch of the Nanjiao farm produced 4,000 handlebars by 25 July this year and met government standards. At the same time, the Beijing Bicycle Main Plant itself went into joint operation with the Doudian Agricultural Machinery Plant, which is an affiliate of the Beijing Farm Machinery Repair Plant and the Fangshan County Bureau of Industry. Construction of these two plants is now in preparation. After these three jointly operated plants finally go into operation, production capacity can be increased by over 30 percent.

The main branch of the Beijing Bicycle Main Plant is located in the city. Its factory building is narrow and small, which greatly restricts the development of production. At the same time, since the factory has no space for the processing of electroplating, most of the electroplating parts used to be scattered over 20 places elsewhere for processing, making quality control difficult. How could production be expanded and market demands satisfied? The leadership of this plant considered that, although the trade had a certain degree of superiority in production techniques and specialized equipment, building a new plant in the suburbs meant not only a high investment but also slow results. The Doudian Agricultural Machinery Plant, the Beijiao Farm Machinery Repair Plant and the Yinghai branch of Nanjiao farm did not have sufficient production, which meant that 20,000 square meters of factory space and part of the commonly used equipment were shut down owing to disuse. In joint production, both sides could develop strong points and avoid shortcomings. A third of the investment could be saved and at least half the time shortened. At the end of last year, after consultation, both sides set about the work of joint operation of the plant. The bicycle main plant has gradually rebegun the processing of

electroplating parts from outside, passing them on to the new, jointly run, Beijing Yinghai Bicycle Parts Plant. Wheels, free wheels and other products to complete sets are also ready to be transferred from the original to the jointly operated plant for production. Thus, specialization in bicycle production will gradually become reality.

According to the mutual agreement, the former subordinate relationships of these three jointly operated plants will not be altered. The higher-level personnel in charge will assume a dual leadership role. Both sides will divide the profits according to the ratio of investment in setting up the plant, and they will jointly bear the financial responsibilities.

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BRIEFS

SHANDONG LIGHT INDUSTRY--In the period from January through July, the light and textile industrial output value of Jinan Municipality, Shandong Province, increased by 23.5 percent over that of the same period in 1979. The proportion of the output value of the light and textile industries among the municipal industries as a whole increased from 49.2 percent in 1979 to 53.1 percent. In readjusting the proportion of the heavy and light industries, Jinan Municipality has vigorously developed the production of cotton, woolen and chemical fiber products, and the production of wrist watches, bicycles, sewing machines, television sets, radio sets, garments, furniture and in other light industrial, textile and electronic products. [SK082335 Jinan Shandong Provincial Service in Mandarin 1130 GMT 7 Sep 80]

CSO: 4006

CAPITAL CONSTRUCTION

SECOND LIGHT INDUSTRY BUREAU DEVELOPS PRODUCTION

Tianjin TIANJIN RIBAO in Chinese 26 Jun 80 p 1

[Article by Gao Zhending [7559 2182 7307] and Song Guichun [1345 2710 2504]: "Second Light Industry Bureau Adopts Various Combinations to Develop Production"]

[Text] The Second Light Industry Bureau of our municipality has adopted various combinations and brought about the fast development of production.

Most processing in the second light industrial system is simple, often manual in operation, which can be easily done in the rural areas or urban neighborhoods. This is a favorable condition for taking the road of "combination." Moreover, facts also prove that the road of "combination" is an important path to make up such shortcomings of the second light industrial system as small factories, limited manpower and funds, and cramped working premises, and to take the advantage of the complete range of its products, its domestic and foreign markets and its traditional skills. Therefore, they have done a great deal in "combination." At present, the system has mainly adopted the following combinations:

Dispersing handicraft processing. One way this is done is to remove from the factory some of the processing of those goods which rely mainly on manual operations or which use a lot of manpower. This increases the factory's productive capacity. In several factories under the carpet company, the final step of their processing was a bottleneck for many years, which affected seriously the development of carpet production. This year the company set up 24 additional processing stations with more than 300 looms in such places as Ninghe County, Baodi County and Ji County. After these stations took over the early stage of the production procedure (weaving carpets), the carpet factories were able to spare their buildings, equipment and manpower to strengthem some of their washing, dyeing, pressing, slicing and sorting and other such late-stage procedures, and solved basically the problem of a lack of balance between the early and late stages of production. The other facilities were used to increase new products and high-grade products. The No 3

carpet factory alone may be taken as an example. By dispersing its early-stage processing, the factory increased its carpet weaving capacity. This year its average monthly output increased by more than 3,000 feet over that of last year.

The second way this is done is to remove from the factory the processing of some products which are urgently required by domestic and foreign markets. The industrial arts company produces drawnwork and embroidery which are in great demand on domestic and foreign markets. However, being limited by their productive capacity, these products became urgently needed short-line products. The industrial arts company has, since the latter half of last year, set up 109 processing stations and enhanced its annual production capacity for drawnwork and embroidery by over 20 percent in comparison with last year.

The third way this is done is to remove from the factory the processing of low-grade products, to spare strength for the development of key products. This bureau has turned over the production of seven categories of low-grade, simple products to various stations in suburban counties and the municipality, including chalk, miscellaneous sewing notions and small electric transformers, using the spared factory buildings, equipment and personnel to produce such key products as fur and leather clothing, carpets, artists paints, cultural and educational articles, and further expanded export.

To run experimentally joint industrial and agricultural enterprises. At present, the industrial companies making leather goods, carpets, clothing and suitcases and bags, under the jurisdiction of the Second Light Industry Bureau, have run 12 combined industrial and agricultural enterprises in the five counties of Ninghe, Baodi, Ji, Wuqing and Jinghai and in the south and east suburbs. These enterprises are under the unified management of the industrial side in the fields of the supply of raw material, production and marketing, and the industrial side also provides equipment, technology and a part of the floating capital. The agricultural side provides factory buildings and manpower. The enterprises undertake independent accounting, make themselves responsible for profit and loss, pay taxes locally, retain 5 percent of their profits as enterprises' funds and divide equally the remainder between the two sides. This procedure binds their interests together, arouses the enthusiasm of both sides about the results of the operation of their enterprises, and helps develop production. In the 4 combined industrial and agricultural enterprises run experimentally by the carpet industrial company, 150 looms have been put into operation. When all the looms go into operation, the annual output will be more than 100,000 square meters, which constitutes over 20 percent of the annual output of the carpet trade. All the six combined enterpriese run jointly by the clothing industrial company and the suburban counties have gone into operation. Five of these enterprises have already reached initial productive capacity, produced 250,000 pieces of clothing from January to

May, and maintained normal operation throughout. Every year they can turn out 3 million pieces of clothing, which constitutes over 10 percent of the total output of the clothing trade.

To help neighborhoods run production cooperatives: Under the condition that there will be no environmental pollution, the bureau operates 9 productive cooperatives in urban neighborhoods, and has recruited more than 600 unemployed youths. Some of their products are handled by the enterprises which help operate the cooperatives and the rest is handled by the cooperatives themselves according to the demand of the market, so as to make up shortages and enliven the market. The neighborhood production cooperatives undertake independent accounting, and make themselves responsible for profit and loss. This way of organizing production not only serves their principal enterprises and increases production, it also helps solve the problem of the large number of unemployed youths.

To run experimentally joint production of collective enterprises and those belonging to all the people. These joint-run enterprises are under unified leadership, their manpower and financial and material resources are used in a unified way, the ownership of the enterprises has not changed essentially, and the percentage of profits is to be divided proportionately according to investments. Most of the joint-run collectively owned enterprises have no definite direction for their products, and have difficulties in sales. Their joint operation not only solves the problem of some enterprises in "keeping themselves alive" but also develops marketable products. The violin factory of the musical instrument industrial company and the collectively owned Yongsheng Woodwork Factory joined their operations and helped greatly increase the output of violins. The total output of violins from January to May increased by 38 percent in comparison with the same period of last year.

To contract for processing raw materials supplied by foreign merchants. Through negotiations with foreign merchants to contract for the processing of raw materials to be supplied by the foreign merchants, this bureau has expanded production for export. Up to now, nine contracts for processing foreign material have been signed with Japanese, French and Hong Kong merchants, involving such things as carpets, leather gloves and hand-sewn leather balls. By the end of this year, it will be possible to increase output value by more than 6 million yuan and bring in $US 630,000 in foreign exchange. The adoption of this method is also a good way to jointly develop light industrial production. It cannot only supplement shortages of raw and other materials for developing the production of carpets, leather goods, wooden furniture and musical instruments, but also earn more foreign exchange for the state.

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CAPITAL CONSTRUCTION

TIANJIN TO EMBARK ON UNPRECEDENTED HOUSING PROJECT

Tianjin TIANJIN RIBAO in Chinese 25 Jun 80 p 1

[Article: "Tianjin To Carry Out Unprecedented Housing and Municipal Construction"]

[Text] In his "Report on Government Work" at the first session of the Ninth Municipal People's Congress, Comrade Chen Weida [7115 0251 6671] announced to the people of Tianjin that Chairman Hua, the Secretariat of CCP Central Committee and the State Council have approved the report on the restoration and reconstruction of residential quarters and auxiliary facilities in Tianjin Municipality after the earthquate, and have determined the key points and scope of a 3-year earthquake recovery and rebuilding program to begin in 1981. This moving and gratifying news shows the sincere concern of the Party Central Committee and the State Council for the people of Tianjin.

Comrade Chen Weida said: Due to the interference and sabotage of Lin Biao and the "gang of four" and the severe impact of the earthquake, our city's urban construction has been shortchanged in many ways, and the people have many worries in their daily living. The Party Central Committee and the State Council are very much concerned about the people of Tianjin. Comrade Hua Guofeng and Comrade Deng Xiaoping both came to Tianjin on inspection, expressed their concern and gave their support to us to solve as quickly as possible the problem of recovering from the earthquake. Comrade Gu Mu [6253 3668] and the leading comrades of concerned departments of the State Council also paid a special visit to Tianjin, helped us look into solutions and made a report to the central authorities. According to the spirit of instructions from the central authorities, we must concentrate our efforts on repairing the damage caused by the earthquake and intensifying urban construction.

In this 3-year period, we must first concentrate our material resources, manpower and financial resources on those projects which are the key to rebuilding housing and related facilities, making up the losses from the disaster as quickly as possible and clearing away all traces of the calamity so that our city can begin to revamp its appearance.

Comrade Chen Weida said: Our policy is to integrate the quake cleanup with the general goal of transforming the old city and building a modernized new Tianjin. By comprehensive planning, combining immediate and future interests, grasping the key projects and carrying them out step by step, we will not only solve our present pressing problems, we will also create conditions for future construction and strive to avoid the creation of new difficulties and waste.

In housing, 2 million square meters will be rebuilt this year, and, starting next year, there will be 6.5 million square meters of new and rebuilt housing completed within 3 years. In addition to actual housing construction, each year about 400,000 square meters of auxiliary commercial, cultural, educational and public health facilities will also be built. As for houses damaged by the earthquake which are worth restoring, efforts will be made to complete the repair work within 2 years.

In urban transportation and communications the reconstruction of quake-damaged houses should be integrated with road construction linking new residential districts and downtown and industrial areas, opening some traffic barriers, widening and opening some road sections and trying as far as possible to divide traffic into lanes so that traffic jams and congestion may be eased. Postal and telecommunication services must be improved, by increasing the number of telephones, expanding the capacity of the lines and gradually solving present shortcomings in the urban telephone service.

In urban water supply and sewerage, there must be unified planning for urban and suburban areas, and the problems must be tackled in a comprehensive way. We must continue to build new reservoirs specially for city use, lay special pipelines, tap potential, reform the waterworks, increase the capacity of water supply, and improve water facilities for people's living. We must build anew or improve some 220 km of rain-water and sewage conduits, gradually separate the flow of rain-water and sewage, and start to solve the problem of serious flooding during the rainy season in 44 tracts covering 21 square kilometers, including Tucheng and Liuwei Rd, in the city.

To insure our municipality's fresh water supply is a major problem and one which should be dealt with earnestly. Under the unified leadership of the central authorities, we should work in close coordination with Hebei, Beijing and other sister provinces and municipalities, make a concerted effort and enthusiastically solve the question of our municipality's water supply. In coming years, we must concentrate forces to complete such projects as those already fixed by the state, that is, to continue construction on the Beidagang Reservoir, to increase the capacity of the Yuqiao Reservoir, to lead water from Yu River and Luan River to Tianjin, and to build sluice gates on the New Yongding River. We must also survey groundwater resources and rationally exploit them, as

well as bringing land surface subsidence under control. Scientific experiments should be actively conducted to utilize water in underground reservoirs. We should exercise planning, science and conservation in our use of water.

We must make a good job of environmental protection and greening work, and improve the appearance of our city. We must positively control and eliminate the pollution of the atmosphere, water resources and the environment, and take effective measures against factories which cause serious pollution and noise, either controlling them or removing them. Former parks and nurseries should be restored, trees should be planted in the new areas, more nurseries and parks should be built, and the plant cover of our municipality and the average vegetation area per capita should be increased. Rules and regulations for the maintenance of our city's appearance should be stipulated and perfected, with special personnel to conduct inspection and enforce these regulations, so that our city can be kept clean and nice-looking.

Comrade Chen Weida said emphatically: Our city has a very arduous task in getting rid of damage caused by the earthquake, with an unprecedented scope for either housing construction or urban construction. We should strengthen leadership in earnest, do a conscientious job of comprehensive planning, define clearly the jurisdiction of planning and administration of the municipality, the wards, the suburban areas and the counties, and allow no confusion in approving projects and in the work of construction. It is necessary to reorganize and train the construction workers, and make a good job of preparatory work before the beginning of construction. All the people of our municipality should transform the concern of the Party Central Committee and the State Council into a tremendous motive force, mobilize ourselves, exert our utmost efforts, increase production and practice economy, and achieve the increases in both production and income. We must give play to the spirit of self-reliance, build our homeland through diligence and frugality, make careful calculations and strict budgeting, tap internal potential, raise more construction funds, and accelerate the construction and residential quarters, living facilities and urban facilities. All units and residents concerned must proceed from the overall situation and, according to the requirements of the plans, help to do well the work in all fields of demolishing and removing houses, resettling residents and the requisition of land. The broad cadres, workers and students should display their communist spirit, take an active part in voluntary labor, and contribute their energy to making a success of urban construction and eliminating the damage from the earthquake. Through our efforts in the next few years, we will create a fine surrounding for all people of our municipality to live and work, and help them to live still more peacefully and comfortably, so that they can study and work, feeling happy and full of vigor.

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CSO: 4006

FOREIGN TRADE

BEIJING'S FOREIGN TRADE UP AS RESULT OF COOPERATION

Beijing BEIJING RIBAO in Chinese 11 Jul 80 p 1

[Report by Bei Qiang [0554 1730] and Jing Shan [2529 1472]: "This City's Foreign Trade Increased by 50 Percent During First Half of the Year"]

[Text] Industry and trade cooperate and make joint efforts. In the first half of this year, foreign trade purchases and export tasks of this city achieved, respectively, over 58.6 and 50 percent of the state plan--an increase of 50 and 54.1 percent respectively over the same period last year.

In the first half of this year, experimentation with the "four joint and two opens" developed extensively between trade departments and production units (joint handling of official business, joint arrangements for production, joint foreign negotiations, joint dispatch of delegations for inspection and sales promotion abroad; open export prices and open production costs). The city's foreign trade and textile bureaus signed a "four joint and two opens" agreement which promoted production and increased the sources of export goods. By the end of June, 62 percent of the annual plan for the purchase of textile goods had already been completed. The city's Light Industrial Products Import Export Corporation also closely cooperated with the Beijing No 61 Shoe Plant, resulting in a great increase in production. During the first half of the year, this corporation completed a transaction with foreign traveling businessmen for 3.7 million pairs of cloth shoes, of which 2.2 million were produced by the No 61 Shoe Plant. The production task was completed according to quality, quantity, and delivery date specifications, assuring the export and obtaining a positive evaluation from the businessmen. The carpet section of the city's Local and Livestock Products Import Export Corporation and the Carpet Industrial Corporation regularly hold joint production conferences and brief meetings to exchange information on conditions and to give mutual support. Their exports in the first half of this year reached the highest level in history. The business section of the city's Chemical Industrial Import Export Corporation coordinated with industrial departments, developing 41 types of new products in the first half of the year and increasing the supply of goods by 30 million yuan. The cracking oil trade alone amounted to 16,900 metric tons, all of which was exported by the end of June.

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LOADING OF PROPYLENE FOR EXPORT SUCCESSFUL

Beijing BEIJING RIBAO in Chinese 31 Jul 80 p 1

[Report by Qu Zugeng [4234 4371 6342] and Xu Qianjiang [6079 6929 3068]: "Yenshan Petrochemical Corporation, with Strong Support of the Tainjin Municipality, Succeeded for the First Time in Loading Combustible and Explosive Propylene for Export"]

[Text] The Yenshan Petrochemical Corporation cooperated with the Municipal Petrochemical Import Export Corporation in using compensatory trade to export propylene. With the strong support of Tianjin Municipality, it successfully loaded [the material] at Dahu wharf in Tianjin on 24 July.

The propylene produced by this corporation is a valuable raw material for making polypropylene plastic, which has a demand in international market. Under the leadership and with the support of concerned higher-level departments, it cooperated with the Municipal Petrochemical Import Export Corporation and signed a 3-year contract with foreign traders to export propylene on a compensatory trade basis. Some of the vehicles and equipment required for the export of propylene were imported through the Bank of China and foreign loans. This will be repaid with foreign exchange after the propylene is exported. Since propylene is a pressurized, combustible and explosive liquified gas, its storage, transportation, loading and unloading present considerable difficulties. With the support of Tianjin Municipality, the Yenshan Petrochemical Corporation constructed a sea and river loading dock some 100 meters long at the Dagu Chemical Industrial Plant, as well as vehicle and ship direct transfer facilities there. At the same time, they built storage and transport vehicle loading facilities at their own unit for the export of propylene. With the exception of 40 pressurized vehicle tankers, all the facilities and equipment were designed, manufactured, transformed and installed by their own efforts. They made 32 large motor vehicle storage containers, alone.

In order to safely and speedily transport propylene to Dagu wharf, the Yenshan Petrochemical Corporation formed a special contingent of tankers.

Drivers and concerned personnel underwent collective training, and operating safety rules were formulated. In the latter part of May, the direct transfer method was used for the first time to load containerized liquified propylene onto the Japanese merchant container ship "Kurenai Maru." The loading could not be completed because the rubber transmission tube supplied by foreign traders suddenly ruptured. After this news went out, the Tianjin Rubber Research Institute cooperatively and experimentally made a new rubber tube. On 22 July, after an American merchant container ship pulled into shore, a motorcade of 30 to 40 special tankers, with the support of the Beijing municipal traffic safety department, made round-the-clock trips in force and transported over 500 metric tons of propylene to the wharf. The workers operated meticulously and conscientiously. In only 15 or 16 hours they had speedily and safely transferred 70 vehicle tanker loads of propylene onto the foreign merchant cargo ship. In the course of the transporting and loading, units of the Tianjin customs, frontier stations, the public security bureau, the Foreign Shipping Agent Corporation, the commerce inspection bureau and the Dagu Chemical Industrial Plant provided energetic cooperation. This task of direct transfer of propylene from vehicle to ship, regarded by foreign traders as "unprecedented in the world," was completely successful and laid the foundation for further developing the export of propylene.

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FOREIGN TRADE

MEASURES TO EXPAND GUANGDONG'S FCREIGN TRADE DISCUSSED

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 29,23 Aug 80 p 28

[Article by Xiao Wen [1420 2429]: "Guangdong Adopts Measures To Develop Foreign Trade"]

[Text] Guangdong is one of the two provinces where special policies and flexible measures in foreign economic activities are being carried out in our country. In order to better utilize and develop Guangdong's advantageous conditions, enliven its foreign trade, and expand business, the province recently decided to adopt active measures designed to effect a major development in foreign trade.

Ever since the Party Central Committee and the State Council approved Guangdong for special policies and flexible measures in foreign trade, staff workers in the entire provincial foreign trade system have felt that the responsibilities of their work have increased and the demands on them have become greater, and that therefore they will work harder. With the support and coordination of departments of industry, agriculture, finance and trade, communications and transportations, and on the basis of completing and greatly exceeding last year's targets, foreign trade quotas have shown new increases this year. By the end of May, purchases reached 46 percent of the annual plan--an increase of 29.9 percent over the same period last year. As for exports, 42.1 percent of the plan had been met--up 28.3 percent over the same period last year. At present, the foreign trade system of the entire province is further summing up experiences and lessons and studying new conditions to solve new problems in order to take measures to develop foreign trade.

The most basic step necessary for conducting Guangdong's foreign trade is to reform the present foreign trade management system and mobilize the initiative of all prefectures, departments, enterprises, and staff workers. Problems in this system are hindering the proper role of initiative. The main problem is that foreign trade departments are overly centralized and basically have had sole management for a long time. Production and marketing departments have had no direct contact with each other, and the right of enterprises to free choice has been too limited, resulting in production being too slow to

keep pace with changes in the international market. Moreover, rather than business being conducted according to economic laws, administrative means are often used to solve economic problems. Administrative structure is complex and procedures are numerous, wasting time and delaying matters. Because of many restrictions, export business that is clearly feasible or expandable become impossible or reduced. If these conditions remain unaltered, foreign trade cannot greatly develop. In an earlier period, Guangdong experimented with combining industry and foreign trade, and with specialized import-export corporations that combined agriculture and foreign trade. Consequently, direct contact between production and marketing departments was realized for some industrial and agricultural goods, which helped production units speedily understand the needs of the international market and organize timely production and export. At the same time, prefectures and counties had some right of free choice in foreign economic activities, causing many places and enterprises to strive for exports and remittances. Viewed from some of these experiences, reform of the foreign trade management system was successful and hopeful. There were of course some shortcomings, such as bullish pricing and competition that caused losses for the state. Owing to lack of experience and delays in management, these problems were difficult to avoid in the course of reform. In terms of guiding ideology, we cannot stop because of some problems, or even adopt the method of "packing up as soon as things get disorderly," but should resolutely continue to reform. Since foreign trade is an important component of the entire national economy, reform of the foreign trade system is closely related to reform of the entire national economic system, even though the former can be carried out first. In Guangdong, present reform begins with having foreign trade departments give full play to the initiative of export management by foreign trade branch corporations, and with solving the defect of eating out of the "big pot," Thus, the Guangdong Province For Foreign Trade Corporation was formally established on 1 July. This corporation is under the dual leadership of the Guangdong Provincial People's Government and the Ministry of Foreign Trade. Based mainly in the province, it will unify the management and organization of foreign trade and business activities in the province and handle related foreign trade business entrusted by the provinces, municipalities, and autonomous regions in the whole country. At the same time, appropriate regulations should be prepared in order to facilitate development of the import-export business of established import-export branch corporations. In the management of export merchandise, unified administration and management at different levels will be adopted. Of the 855 kinds of export commodities managed by the provincial foreign trade system, with the exception of 102 kinds managed by specialized main corporations and provincial corporations, over 700 kinds are being passed on to branch corporations to handle. Selective experimentation will be made to appropriately expand foreign trade enterprises' right of free choice in order to have greater initiative and maneuverability in financial, material, and managerial areas. To enable the reform of foreign trade enterprises to achieve direct contact between production and marketing departments and to determine production by marketing units, the method of the "four joint and two opens" is now being promoted first between industry and trade (joint

handling of official business, joint arrangement for production, joint foreign negotiations, joint dispatch of delegations for inspection and sales promotion abroad; open export prices and open production costs), while practical measures are being established and implemented on the basis of ideology, organization, and system. At the same time, the experiences of specialized import-export corporations of the experimental joint industry and trade are to be earnestly summed up, with foreign trade and industrial departments jointly studying and suggesting experimental cases for their corporations to handle as part of the reform of the foreign trade system.

To fully utilize Guangdong's advantageous conditions, more exports and remittances should be strived for. In accordance with the policy of combining planned and market regulation, especially planned regulation, the relationships among state, collective, and individual interests are to be handled correctly; state plans for unified purchase and assigned purchase of commodities are to be carried out; and each commodity is to be handled individually. At the same time, plans should be positively developed for the purchase and export of commodities suitable for foreign markets. Experiences in developing material processing and trade compensation should be summed up, so that these enterprises will become more in tune with the beneficial economic results. Materials processing should be increased and export organized on a timely basis, according to the needs and possibilities of markets abroad. On the productive basis of strengthening and increasing original foreign trade and the foundation of special factories and workshops, a new group of special factories and workshops should be established as the mainstay for the supply of export goods. In export, attention is to be given to studying changes in the international market, to establishing a broad market network, to seizing opportunities, and to strengthening sales. New markets in the world should be continually opened up, and there should be an earnest, firm grasp of performance rating in export contracts.

In the management and administration of foreign trade, economic efficiency should underlie efforts. It must begin with a firm grasp of planning and production and close coordination between foreign trade and production departments according to merit selection. Greater production and purchases must be made for high-quality and high-remittance products. Products which do not meet quality demands should not be given the same effort. The structure of export commodities should be gradually altered to increase the proportion of industrial products. Potential should be tapped, and high-remittance and profitable commodities should be exported. Products which incur high deficits should be analyzed, as some of them can be made less unprofitable by profit yielding or tax reduction between industry and trade, by increasing production and practising economies to lower costs, or by reducing management links. At the same time, property clearance and capital examination must be developed to establish a new administrative order, speed up capital turnover, reduce interest payments, and increase the level of administration.

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CSO: 4006

CAAC MAY BEGIN PEKING-HONG KONG FLIGHTS IN NOVEMBER

Hong Kong SOUTH CHINA MORNING POST in English 27 Aug 80 p 11

/Report by transport editor T. S. Koo/

/Text/

The Chinese flag carrier, CAAC, may begin its regular Peking-Hongkong service in November.

Under the Sino-British air agreement concluded in July last year, CAAC can introduce the service when the "trunk" route between the capitals of the two countries is in operation.

Earlier this month, British Airways and CAAC reached an inter-airline agreement to fly between Peking and London from November.

An official of the National Aviation Corporation, the local agents for CAAC, said they had not received word on the date for the inaugural flight on the Peking-Hongkong route.

However, aviation sources said CAAC would be able to start on the same day as the first flight on the trunk route.

Cathay Pacific Airways has also been given the rights to operate on this "regional" route.

But the Hongkong-based airline can only run the service until the time when BA is ready to switch to a direct route to Peking.

BA's weekly B747 flight to Peking will at first be routed through Hongkong without passenger pick-up and landing rights for the Hongkong-Peking section.

The Sino-British air accord also allows China to name six cities in the country for scheduled services to Hongkong.

Peking has chosen Peking, Shanghai, Tianjin, Hangzhou, Kunming and Canton.

The Hongkong-Canton scheduled service has been running for some time under a temporary permit.

It has a somewhat different status because the service was negotiated before the bilateral air pact was reached.

CAAC was to open up the Tianjin and Hangzhou air links early last month, but the airline postponed the inaugural flights without giving any reason.

Scheduled air services between Shanghai and Hongkong operated by both Cathay and CAAC were suspended on August 16 after eight weeks' operation.

The reason for the suspension was what officials described as difficulties over the "interpretation" of the bilateral agreement.

China has maintained that Cathay should drop the Shanghai service because it is also flying to London.

Since CAAC was bound by an inter-airline agreement with Cathay on the route, it had to suspend its own service also because the agreement had become void.

No date has been fixed for further negotiation on the Shanghai route case.

Aviation sources believe regional services between the other Chinese points and Hongkong will probably not materialise before this issue is settled.

CSO: 4020

PRC UPGRADES RAILWAYS IN SHANXI PROVINCE

OW100258 Beijing XINHUA in English 0236 GMT 10 Sep 80

[Text] Taiyuan, September 10 (XINHUA)--A 120-kilometer-long electrified railway section went into operation yesterday connecting Shijiazhuang, a railway junction and the capital of Hebei Province, with Yangquan, a major coal-producing city in Shanxi Province.

An electric train reached Yangchuan from Shijiazhuang yesterday afternoon in two hours and twelve minutes.

Ten million more tons of coal will be transported from Shanxi Province a year thanks to the electrification of this section, and the construction of three marshalling yards and other projects on the railway. An advanced signalling system and anti-interference devices have been adopted.

Shanxi produced over 100 million tons of coal last year, of which 60 million tons were carried to other provinces. The province's coal is sent out through five railway lines, four of which are being electrified or double tracked. The projects under construction include:

--a 128-kilometer-long section, which runs from Yangquan to the Shanxi provincial capital of Taiyuan and is connected with the newly opened section, is now being electrified;

--the electrification of the line from the major coal-producing center of Datong to Beijing is under way. An automatic signalling system has recently been installed on the line and this has doubled its carrying capacity;

--double-tracking has begun on the southern section of the 850-kilometer-long north-south line from Datong to Puzhou in Shanxi Province; and

--the southern section of the line from Taiyuan to Jiaozuo, a major coal-producing city in neighboring Henan Province, has already been double-tracked, and its northern section is being upgraded.

In addition, a new line running for over 200 km from Changzhi, southeastern Shanxi, to Handan, in neighboring Hebei Province, is now under construction. One hundred kilometers have already been opened to traffic.
CSO: 4020

BRIEFS

LIAONING RAILWAY SAFETY--The railways departments in Liaoning Province have recently issued an appeal saying that it is strictly forbidden to put stones or other objects on rails. Accidents caused by stones and other objects on the rails have frequently occurred on the lines under the administration of the Shenyang and Jinzhou railway bureaus. In the period from January to July, there were 51 occasions on the lines of the Shenyang Railway Bureau in which stones or other objects blocking the rails were discovered. These resulted in four derailments and frequent delays, thus bringing about enormous damages and serious threats to the safety of transportation. The railway departments called on communes, brigades, schools and plants along the lines to strengthen safety measures and pay special attention to prohibiting children from placing stones on the rails. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 8 Spe 80 SK]

GUANGDONG PORT RECLAMATION--Recently, a reclamation project for the new port of Huangpu was completed 3 months ahead of schedule, transforming an open stretch of seawater into 218,000 square meters of port facilities. This is the second phase of the new Huangpu port. To reclaim this piece of land, it was necessary to first block the river and fill the blocked areas with large quantities of sand. The Guangzhou Shipping Bureau's dredging ship team has spread some 2.5 million square meters of sand from the Dong River estuary, reclaiming a large piece of land in 2 days and 2 nights, fulfilling the tasks ahead of schedule. [Guangzhou City Service in Cantonese 0430 GMT 25 Aug 80 HK]

JILIN AIR ROUTE--The Jilin Provincial Civil Aviation Administrative Bureau has announced a change in the daily flight schedule effective 8 September. Air service between Dalian, and Changchun, via Beijing and Shenyang, is to be replaced by a flight that departs Changchun at 0830 daily to Beijing via Shenyang. The flight arrives at Beijing at 1200. Under this schedule, passengers will have plenty of time to make arrangements for hotel accommodations or to change to other domestic or international flights. Moreover, passengers will be free from the annoyance of long-distance flights and from the delay caused by stopovers. [SK100527 Changchun Jilin Provincial Service in Mandarin 1100 GMT 8 Sep 80]

JILIN INDIVIDUAL BUSINESS--Changchun Municipal industrial and commercial administrative departments gained great achievements in developing individual businesses. As of the end of July 2,094 households across the municipality reopened or newly started their businesses, an increase of 1,778 households over that of the corresponding period of 1979. These businesses include food services, groceries, dress making, barber shops and repair services, employing a large number of youths, local surplus labor and retired workers who have specialized skills. [SK100527 Changchun Jilin Provincial Service in Mandarin 1100 GMT 8 Sep 80]

SHENYANG HIGHWAY RECONSTRUCTION--The Shencheng highway reconstruction project, which began in late May, was completed 11 September. The Shencheng highway connecting Shenyang with Faku and Fuxin in Liaoning Province and with Chengde in Hebei Province has now been opened to traffic. [SK120732 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 9 Sep 80]

CSO: 4008 END

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China Report

ECONOMIC AFFAIRS

No. 88

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CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL ECONOMIC POLICY

FULLER UTILIZATION OF MANPOWER RESOURCES DISCUSSED

HK190753 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 80 pp 17-24

[Article by Li Chengrui [2621 2052 3843] and Zhang Zhuoyuan [1728 0587 0337]: "Comprehensive Planning for People Awaiting Employment and Making Full Use of Manpower Resources--Including Comments on Certain Problems in Population Theory and Research"]

[Text] To develop a comprehensive and proper plan for people awaiting employment and make a fuller and more rational use of our country's abundant manpower resources are important problems in further consolidating our country's stable and united political situation, in readjusting well the proportionate relationships in our national economy, and in carrying out socialist modernization and construction in a greater, faster, better and more economical manner. In the past, due to the prolonged interference and destruction wrought by Lin Biao and the "gang of four" which dragged our entire national economy to the brink of collapse, our hitherto relatively rational economic structure and employment framework were seriously disarranged. Also, because for a long time we had failed to carry out well the work of planned birth control and had lost control of population growth, in recent years the problem of employment in cities and towns has gradually become exceedingly acute while in society at large a large number of people are looking for work.

In 1979, under the leadership of the party and the people's government, and thanks to efforts made from all sides, cities and towns in the country managed to find employment for 9.02 million people who included youths awaiting employment and other people as well and including 1979 graduates of universities, intermediate schools and institutes of special learning who normally came under the state's centralized placement plan. These results were indeed gratifying.

Basically, the results achieved were mainly due to the efforts made to readjust our country's economic structure and employment framework and to make them rational and in conformity with our country's actual conditions, thus opening up and widening the road to employment. This was shown mainly in the following two directions: one was readjusting the structure of the ownership system. Simultaneously, with the enterprises

under the all-people ownership system stepping up the demand for more workers, more enterprises were set up under the collective ownership system. The other was readjusting the structure of the economic departments in which simultaneously with the development and expansion of the industrial, communications and construction departments, greater attention was given to developing the commercial, food and beverages and service trades.

In 1979, the setting up of collective enterprises took the following basic forms: first, new business stores, urban service stations and small factories and plants were set up. Second, street production units and service stations increased the variety of their products or services, or increased their work shifts or generally extended the scope of their business operations. Third, units under the all-people ownership system in cities and towns, industrial and mining districts and animal husbandry areas made use of their existing plant premises, sites, equipment and technological facilities to help personnel awaiting employment set up collective enterprises. Fourth, the masses set up collective enterprises themselves. Fifth, agricultural, industrial and commercial organs were encouraged to jointly engage in and expand their activities to assist educated youths. In addition, enterprises run by individuals were allowed to come into being, subject to the state's leadership and operating within a specified sphere. In so doing, it was possible not only to solve the employment problems of many people but also to create more wealth for the country and satisfy certain needs of the masses.

In 1979 concurrently with an increase in the number of staff workers and employees in the industrial, communications and transportation departments, a rather rapid increase was seen in the number of staff workers and employees in those departments concerned with commerce, food and beverages enterprises, the service trades, cultural, educational and public health activities, and public utilities of cities and towns. Thus by the end of 1979, the ratio of workers and employees in the direct production departments out of the country's total number of workers and employees was on the downturn whereas the ratio of workers and employees in the indirect production departments in the total number of workers and employees in the country was on the upturn (though still not above the 1965 level), and there was a change in the phenomenon of industry and capital construction having the "longer end" while commerce, the food and beverages enterprises, the service trades, cultural, educational and public health activities and public utilities in cities and towns have enterprises, the service trades, cultural, educational and public health activities and public utilities in cities and towns have the "shorter end." Of the total capital construction investments made in 1979, the proportion of capital construction investments spent on production enterprises dropped from 82.6 percent of the preceding year to 73 percent, and the proportion spent on investment on housing for workers and employees, public utilities in cities and towns, and culture, education and public health increased from 17.4 percent in the preceding year to 27 percent. In other words, the proportion between

bone and meat began to change. Changes of this kind in the production construction structure naturally brought along corresponding changes in the framework providing employment and made it possible to provide more jobs.

It was very apparent that in 1979 some success was made in providing jobs for those awaiting employment. Yet, it must be noted that there still existed many problems in this connection. First, there was a contradiction between providing jobs for those awaiting employment and raising the labor productivity rate. Many enterprises created jobs just for the sake of providing employment. It frequently happened that work which could be done by three people had instead five people doing it. This was decidedly detrimental to raising the productivity rate of labor. In solving the employment problem some localities resorted to the method of making an organization take upon itself the entire responsibility, that is to say, the structure concerned was asked to provide jobs for the children of its own staff as well. Although in so doing it helped to arouse the enthusiasm of the various departments to plan and provide employment yet several questionable points were obvious. For example, the standard set for employment was lowered and the principle of finding the best man for the job was neglected. The situation deteriorated to such an extent that job planning was in name only, that the organization became overstaffed, and that business accounting and actual economic results were totally disregarded. Second, among the newly established enterprises only a few were part of the collective ownership system. Some of them were in name under the collective ownership system, but in fact were not collectively owned. According to investigations conducted by certain municipalities, less than 20 percent of the newly established enterprises under the collective ownership system had actually differentiated themselves from the all-people ownership system. Third, while the door was opened wide to provide employment, it was not so widely opened to provide education and training. It is true that although some localities did grasp educational processing for the benefit of people awaiting employment and actually reaped certain results therefrom, yet in the main the work done was piecemeal and failed to make comprehensive plans for the education and training of youths awaiting employment. Presently, in many localities many youths are still unemployed and are idling away the most precious time of their lives.

Some Suppositions on Comprehensively Planning Job Placement for People Awaiting Employment

To make comprehensive planning of job placement for those awaiting employment is an extremely complicated problem. It requires composite treatment such as formulating and adopting multisided policies and measures. Below, we shall present for reference certain suppositions from four different angles, namely, employment, education and training, use of talents and social welfare or relief:

1. Further Readjusting the Economic Structure and Employment Framework and Opening Wide the Road to Employment

This is the most fundamental measure. In this connection, the year 1979 was a good start. From now on, we should summarize those experiences and continue along the same road.

To open up wide the road to employment, we must proceed a step further and readjust the ownership structure. Hereafter the enterprises under the all-people ownership system must achieve a planned and stable development and absorb a portion of the labor force. At the same time, more enterprises under the collective ownership system must be set up. The collective system is suited to a production level which requires not too high a degree of mechanization but can be handled by manual labor (these include agriculture, handicrafts, retail stores, and the food and beverages and service trades). In those the enterprise responsible for their own profit or loss, the production enthusiasm of the workers masses can ben readily aroused. Also, they require relatively small fixed assets and little equipment but can absorb a large labor force. It has been initially estimated that under the all-people ownership system, on the average each worker or employee required fixed assets and equipment worth more than 10,000 yuan, whereas that required by workers and employees of enterprises under the collective ownership system was less than 2,000 yuan per person. Some of the enterprises under the latter system actually did not require much fixed assets and equipment but could just the same start production or operation. With the same amount of fixed capital to start business, collectively-owned enterprises can absorb several times more labor power than can all-people-owned enterprises. In order to strengthen and promote the development of collectively-owned enterprises, we should give them the necessary support in terms of finance, credit and loan, taxation and supply and marketing of commercial goods. As for those collectively-owned enterprises which are already in existence, their nature and status as being under the collective ownership system should be duly recognized, and they should not be treated or controlled as if they were under the all-people ownership system. Some enterprises may in name be "collectively-owned" but in reality their workers may work alongside of workers under the all-people ownership system inside premises under the latter system. In such cases, we must "expect the facts to correspond with the name" and every effort should be made gradually to separate such workers from the enterprises under the all-people ownership system in matters of production, organization, management and control. In this way "the name will correspond to the facts" and the enterprises will truly come under the collective ownership system. In the cities and towns and rural villages, there should be an adequate degree of laxity in treating the ownership system. Bearing in mind that conditions vary from locality to locality and insuring that the absolute superiority of the socialist public ownership system is a prerequisite, we should permit the coexistence of various business types and various economic compositions and also permit the existence of

enterprises run by individuals. The constitution of the state permits non-agricultural laborers to engage in individual labor subject to the unified planning and control of the basic-level organs in the cities and towns or rural villages and within the permissive sphere of operation under the law. In 1953, the number of independent laborers in cities and towns in the country reached some 9 million people, equivalent to half the number of workers and employees at the time. Following cooperativization, their number remained at 1 to 2 million. During the period of the Great Cultural Revolution, basically speaking there were no self-employed laborers in existence. It is true that from the standpoint of direction we should gradually effect the socialist remaking of individual economy. Nonetheless, in the past, some of the steps taken were a little too hasty, resulting in the elimination of certain kinds of individual economy which could otherwise be retained. For example, it was not exactly appropriate to banish individual workers, who used to frequent streets and alleyways in cities and towns, from doing odd jobs or repairs or the individual handicraft workers engaged in making sundry articles for daily use, or the pedicab drivers in big cities and towns. Presently, to permit the existence of enterprises run by individuals and encourage them to organize themselves in some appropriate forms according to needs is beneficial to opening up the road to employment and to increasing employment. In addition, for overseas Chinese and foreign merchants to set up enterprises, subject to the permissive limits of the law of the country, is likewise a supplementary measure to promote production and increase employment.

In order to open up wide the road to employment, it is necessary further to readjust the structure of the various departments of the national economy. Noting the objective requirements for appropriate proportionate relationships within the national economy and also noting our current conditions of an overcrowded population and a backward economy, we must earnestly promote the development of those light industries and handicraft industries which require a large labor concentration. We must appropriately control the development of heavy industry which requires concentrated capital investments. An initial estimate shows that the equipment for a worker in the heavy industry requires investment by the state of some 12,000 yuan whereas equipping a worker for the light industry needs an investment of only 6,900 yuan. In other words, with the same amount of investment light industry can absorb nearly double the amount of labor compared with heavy industry. Building and promoting agriculture-industry-commerce integrated enterprises and doing well the job of running farms for educated youths also provides an important avenue for planning and providing jobs for youths awaiting employment.

To open up wide the road to employment, it is also necessary to continue to carry out the guideline calling for the simultaneous development of both large and medium-sized and small enterprises. However, the method used in implementing this guideline should be improved and perfected. To promote small enterprises, we must give full play to their special

capabilities, such as their ability to handle small orders, ability to operate in lively and in many-sided ways, and ability to obtain raw materials and market their products locally. What the large enterprises do not do, or are unwilling to do, or cannot do can be handled by the small enterprises. However, the current problem is that a portion of the small enterprises are not fully utilizing their special capabilities but are trying blindly to achieve development. They try to copy the example of large enterprises in every way, fighting with the large enterprises for raw materials, but in the end they turn out products that are sub-standard. They incur high production costs and produce a small profit margin, at times their accounts dip into the red. Small enterprises of this kind are devoid of the power to survive. If they do not change their ways, sooner or later they will be eliminated in the course of the present modernization program. The state should strengthen its guidance over the direction of development of the small enterprises and provide them with effective support in their remaking. In this connection, Japan's experiences are well worth our study and reference. Japan's population density is 2 times higher than ours but its unemployment rate has stayed for a long time at around 2 percent. One of the important reasons for this is that it has adopted an economic structure of a double standard, that is to say, on the one hand it has modernized large enterprises and on the other it has a vast number of medium-sized and small enterprises. A breakdown of its workers shows that 54 percent are employed in enterprises with a staff of less than 30 people. The reasons why the great majority of its small enterprises can survive and grow are that it has paid special attention to developing and promoting the unique capabilities of small enterprises and has striven hard to achieve the objectives of the enterprises being small but expert, small but specialized, small but new, and small but lively and capable of operating in manifold ways. In this way, small enterprises have formed an indispensable part of Japan's modernized national economy.

2. Reform Further the Educational System, Open Wide the Road to Study and Training, and Prepare Well the Unemployed Youths for Future Employment

As a result of the serious damage to the national economy by Lin Biao and the "gang of four" and in view of the conditions of a steady increase in the gross population figure and in the size of the newly-risen labor force, we may well expect that in the foreseeable future there will exist quite a large number of people awaiting employment and that a problem handed down for many generations cannot be completely solved immediately. This naturally poses a difficult problem. However, everything can be divided into two. A situation of this kind can give us a good opportunity to train the younger generation and to raise their cultural and technical levels. Hence, simultaneously with opening up wide the road to employment, we should open up wide the road to education and training and organize all those youths who temporarily cannot find employment into various types of study and training groups. To open up wide the road to education and training, it will be necessary to join together this work with reforming

the educational system and promoting educational development so that we can put into full play the enthusiasm to run schools by the state, by the collective groups and by individuals.

It is essential that the state runs the schools. So long as the state can afford, it should do its utmost to increase appropriations to education and also to increase the student enrollment in universities and institutions of special training. It should reform the structure of intermediate education. Aside from expanding existing educational institutions and establishing new ones, it should consider how to make use of those enterprises, out of a total of some 350,000 existing industrial enterprises in the country, which should be closed or suspended in the course of the current economic readjustment. These enterprises, or a portion of them, could be converted into technical schools or intermediate schools of special training. The laid-off workers could then attend the schools while continuing to receive their pay. In addition, a number of the educated youths awaiting employment could be absorbed into these schools in order to receive specialized training. If each such school were to take in a score or more of these youths, the aggregate result for the entire country could reach quite a sizeable figure. At the end of the school term and if the students successfully pass their examinations, they then could be assigned jobs. If it happens that by that time the jobs available are still not sufficient, then some of the existing workers and employees in other enterprises who have not had any previous training may have to vacate their jobs and be transferred to the schools for training. Thus a rotational process will be developed. These new intermediate schools for special training plus others already in existence or newly established should gradually form a network for the technical training of the majority of workers and employees. This would be extremely useful in raising the scientific and technical levels of our country's working class.

Concurrently with expanding education and schooling as mentioned above, we should also actively, and in a planned manner and on a large scale, set up correspondence schools (with mobile teaching facilities) broadcasting schools, television schools (with teachers giving supplementary instruction) and evening colleges. We must make full use of the buildings of existing intermediate schools. Correspondence schools, broadcasting schools and television schools may use the classrooms of the intermediate schools for evening guidance and test sessions while the evening colleges may use the rooms for classes. In short, the principle is not to put up any new building or to put up as few new buildings as possible. In this way, under our present difficult financial conditions, we would not need to spend much money but would still be able to set up a large number of schools to absorb as many and as quickly as possible the masses of youths awaiting employment.

The running of schools by collective groups. Under the unified guidance of the educational departments and labor departments of localities, and provided they possess the necessary conditions, enterprises, trade unions,

and labor service companies can run different kinds of training classes or "work-study" schools. They themselves can solve the problems of finding teachers and classroom facilities. Part of the expenses needed could be met from the enterprises' funds and the state would provide some assistance if conditions permit.

The running of schools by individuals. It is recommended that the government allow individuals to run different kinds of continuing education schools. Retired industrial and commercial workers and patriotic overseas Chinese should be allowed to run schools if they provide the necessary funds. At the present stage of development of the educational and cultural undertakings in our country, this is a supplementary measure but is a force which cannot be overlooked.

Whether it be collective groups or individuals running schools, the schools must be examined and approved first by the government's educational departments. They must possess the necessary license and must be under strong leadership and subjected to rigid control in order to insure their correct educational and political directions and a definite standard of teaching. Thus, it is recommended that the government promulgate regulations governing the running of schools by collective groups and individuals. Those with outstanding successes in running schools will be duly commended and awarded. All schools, no matter what they are (including television and broadcasting schools), must rigidly implement the system of conducting tests and examinations. Those who have successfully passed the examinations will be awarded diplomas.

Concerning the existing middle schools and primary schools, it may be worthwhile to restore the 12-year system to replace the 10-year system now in force. This not only will ease the current pressure for employment but also will help in raising the educational standard and allow for the students to learn more substantially.

The teaching staff of the schools run by the various sources may be picked from among the outstanding graduates of colleges, schools for special training and senior middle schools. Graduates of senior middle schools could take up teaching of coaching jobs and at the same time engage in further research and advanced studies, thereby gradually becoming qualified teachers or better teachers. This will further increase the opportunities for employment.

3. Further Improving the Labor System and Firmly Implementing the Principles of Picking the Best, Employing According to Talent and Freedom in Applying for Jobs

These are the key measures to convert the problem of labor employment from a passive to an active approach. If there exists no system whereby we can really select only the good ones, or employ people according to their talents, or allow people freely to apply for jobs, then it will

not be possible generally to arouse the enthusiasm to study on the part of the masses of youths. Even though the state has spent much money, has put up the buildings and has hired the teaching staff, it does not necessarily follow that everybody will study hard; nor would it be possible to convince those workers and employees of enterprises which have been closed down or have suspended operation to set their mind really on the studies in the hope of gaining more skills so that they could better tackle their jobs in the future. The effects can be readily seen if we can really and in an all-round way put in force the system of picking only the good ones, employing people according to their talents, and allowing people freely to apply for jobs. In such an eventuality, even though the state has not spent much money and has not put up many buildings, the masses themselves will overcome the difficulties and turn to study and training. At present, some youths, of their own accord, have hired people to teach them physics, or chemistry, or foreign languages, paying a fee of 100 yuan each for a complete course with each taking care of his or her meals and living quarters and have thus reaped satisfactory results. They did not spend a single cent of public funds. Is this not a truly inspiring example?

Seriously and in an all-round manner carrying out the principles of picking only the good ones, or employing people according to their talents and of allowing people freely to apply for jobs, constitutes an important reform of the labor system. It indicates that getting a job does not depend on spending years of waiting, or leaving to lady luck, or by going "through the backdoor" but rather on one's own real talents. It not only can encourage the laborers speedily to raise their cultural and technical levels and promote the construction of the modernization enterprises, but also can greatly help in building up a congenial social atmosphere and encouraging individuals to progress.

Picking only the good ones for employment means that examinations must be conducted. When it is found that the examination results are about the same, preference should be given to those educated youths who have remained for sometime in the cities and towns and to those who likewise have spent some time in the countryside. Also, the principle of employing people according to their talents must be seriously implemented. Those who have passed examinations and are accepted for employment by the enterprises should be assigned different kinds of work in accordance with the grades of their examination results. This will put to full use an individual's talents. We must also carry out the practice of allowing people freely to apply for jobs. In employing their staff members, the various enterprise units, except when it is necessary to reserve a few posts to be filled as planned, must publicly invite applications for jobs. They should allow people awaiting employment and those already employed freely to send in their applications. All unnecessary restrictions must be removed in order that under stated conditions an individual person may freely choose the kind of job or profession he likes.

4. With Due Consideration of the Country's Financial Capability, Gradually Strengthen the Social Relief System and Provide a Minimum Standard of Living for People Awaiting Employment

Concerning those people awaiting employment, particularly the masses of youths, who have taken various kinds of studies, the government should guarantee them a minimum standard of living. The initial supposition is that taken into consideration the different living standards in the big, medium-sized and small cities and towns, a minimum standard of living is fixed for each. Then, take the number of persons in a household and find the average monthly income per person and also find the difference between the monthly average and the minimum standard. Wherever possible, the state should provide the necessary subsidy and relief. But it must be made clear to all: due to serious damages caused by the "gang of four," the state is in difficulties and can only provide relief according to the minimum standard.

At present, our country is still relatively poor and our finances are still in a stringent state. Are we capable of carrying out social relief? This question can be answered after conducting some investigations and research. In 1979, Tientsin Municipality conducted an investigation of some 9,500 households of workers and employees. Persons whose monthly income was below 16 yuan made up 2.81 percent of the total. Thus, it would appear that of the entire urban population in the country about 3 percent were in need of relief. This being the case, and estimating that the total urban population in the country was about 0.13 billion people, roughly about 4 million people were in need of a subsidy of some kind. As a matter of fact, these people did have some income already, perhaps a difference of 1 to 2 yuan, or 3 to 5 yuan, or 7 to 8 yuan from the average. Hence, the aggregate figure required for relief could not be very large. Besides, in their endeavour to stabilize the social order, many cities and towns themselves had already formulated certain measures of relief which provided subsidy or help of some sort to a portion of those people sorely in need. It is recommended to the departments concerned to investigate conditions of this nature and submit draft plans of statutes on social relief and social insurance to the government for consideration so that they may be gradually implemented when and as the financial conditions of the state permit.

The four kinds of measures cited above are conditions which are complimentary and are mutually supplementary. Opening up wide the road to employment is really the heart of the problem. Opening up wide the road to study and training makes those who temporarily cannot find employment well prepared for future employment. The measures of picking only the good ones for employment, of employing only those who have talents, and of allowing people freely to apply for jobs can arouse enthusiasm for study on the part of those awaiting employment and those already employed. They also enable people to make good and full use of their talents. At the same time, strengthening the system of social relief can lead those awaiting employment to setting their hearts and minds on their studies and training. This is an important condition for bringing about stability and unity.

Besides the four principal measures mentioned above, there are other measures to be adopted. For example, the working hours could be made more flexible; the system of taking leave could be improved; more encouragement could be given to those willing to go to the border areas for reclamation and settlement; contracting for construction projects in foreign countries may be encouraged; and so on.

In our opinion, if we fully and earnestly carry out the four measures cited above and also the other measures, we can basically solve the contradiction at present between raising the labor productivity rate and making comprehensive planning for those awaiting employment and stabilizing the social order. At the same time, it will help to solve the contradiction between the large labor force available and its low (in terms of cultural and technical level) quality and thereby enable us to more fully give play to our advantage of having rich labor resources. We cannot continue the stupid practice of letting five persons do the job of three persons. We should let three persons do the job of three persons and let the remaining two persons study and learn. But we must provide the two persons doing studying and learning with the necessary subsidy funds for subsistence and protect them from hunger and cold. In so doing we can change the vicious circle of there being a plentiful labor force but insufficient jobs, of next creating jobs to accommodate persons and bringing about a low labor productivity rate and finally of being back to slow production progress and job insufficiency, the better cycle of giving jobs to capable persons and making incapable persons take up studies and training, of next achieving a high labor productivity rate and raising the workers' technical level and finally of achieving production progress and development and an increase in job availability.

Certain Problems Concerning Population Theory

One of the important topics of population theory is how to fully utilize labor resources. Since the crushing of the "gang of four," many thinkers have come out loudly in favor of a planned control of population growth so that there will not be an oversupply of labor in the future. They contended that population growth must be in line with the growth of material resources and thus reverse the former adverse verdict on Mr Ma Yinchu's "new population theory." They brought forth valuable ideas such as that a couple should have only one child and that the population growth rate should be brought down to zero. Furthermore, they also made some predictions on the future trend of our population. Generally speaking, they have made many worthwhile suggestions and comments.

Population study has very rich materials. In the research on socialist population theory, we must go into the problem of planned population control and must also investigate the problem of how to fully utilize the present labor resources and how labor power may be rationally distributed among the various departments of the national economy so that

each individual will do his best and so that all talents will be fully exploited. This is to say, we must study long-term and future problems and at the same time take up the practical problems of the moment. These two types of problems must be closely linked together. It is only in this way that more comprehensive and better guidance can be provided for actual practice. In the foregoing, we have already discussed the utilization of labor. Below we shall present our views on population theory for mutual discussions.

I. A Man's Hand and Mouth Relationship From Society's Standpoint

Concerning the relationship between a man's hand and mouth, or rather the relationship between a producer and a consumer, in the past it was strongly contended that man had two hands and could create material wealth. It neglected that man also had a mouth and must eat and must play the role of a consumer. Hence, the contention was one-sided and erroneous. Indeed, we must take due note of both hands and the mouth and should not neglect either. As to how to comprehensively and penetratingly know the relationship between the hands and the mouth, further study is needed. In this connection, let us make an overall accounting of the ratio between population and material resources such as how much money is needed to equip a worker or what amount of grain is needed for a man to subsist. But such figures should be examined and analyzed with knowledge of the past historical conditions of the society and knowing the kind of production relationships that exist. Doubtlessly the size of the population must be in line with the available quantity of material resources for living. Only, the problem is: The increase or decrease of the population figure, the high or low speed of its growth, how man acquires the means of doing work, and the production and growth rate of materials for living are all governed by production relationships and by the historical conditions of the society. In particular, the problem of how the hand (that is to say, the laborer) and production materials are linked together is in itself concerned with production relationships. The way these two factors are joined together under the semi-colonial and semi-feudalist old China is basically different from that under socialist new China. Even though under the same socialist new China, a difference is still found under different conditions such as when the guiding thought in economic construction is in agreement with objective laws and when it is not, or not exactly, in agreement.

Over the past 30 years since the founding of the republic, due to changes in the guiding thought over economic construction, the arrangements for economic construction and labor were found to have had many vicissitudes, being up on three occasions and down on two occasions in each of which the way of joining together the hand and production materials was strikingly different one from the other.

From 1949 to 1957, the national economy enjoyed rapid growth. Gone were the huge masses of the unemployed leftover from old China (the unemployed in cities and towns numbered some 4 million people). The

superiority of the socialist system was demonstrated convincingly. What was principally done was: The enthusiasm on all sides was aroused and reliance was placed on them to energetically promote production. The road to employment was wide open. The planning of the production structure was generally in accord with the state of affairs in the country such as a huge population and a weak foundation but the employment structure was rather rational. Despite the low economic level at the time, the relationships between man's hands and mouth were fairly well handled.

From 1958 to 1961, accompanying the sharp rise and fall of the national economy, the employment framework was greatly disrupted. In 1958 high production targets such as doubling the iron and steel output were set following which tens of millions of people from the rural villages took up iron and steel refining and went to the cities to work. The number of workers and employees under the all-people ownership system sharply increased to 20 million people, 75 percent of which were accredited to the industrial departments. Within the industry itself, 83 percent of the increases in staff were absorbed by heavy industry. Obviously this went against the objective laws governing the development of the national economy. It brought about a serious imbalance in the relationship between the economic structure and the employment framework. Consequently, labor power and production materials could not be well joined together and the hand and mouth relations were in a strained condition.

From 1962 to 1965, the national economy was readjusted. There was a sharp cut in the number of workers and employees and the agricultural production frontline was strengthened. This gradually restored harmony between the economic structure and the employment framework and the relationship between the hands and the mouth also became more harmonized.

From 1966 to 1976, when Lin Biao and the "gang of four" ran amuck, both the economic structure and the employment framework were seriously disrupted and economic development suffered a relapse. At that time, the country failed for a long time to effect a planned control of population growth. Now those born in the early years after the establishment of the republic had reached the age of employment but the cities and towns could not provide sufficient jobs for this new labor force. As a result, large numbers of youths had to be sent to the mountains or to the countryside. There was a sharp increase in the number of youths awaiting employment, and manpower fell out of line with production materials. The contradiction between the hands and the mouth thus became more and more acute. In the rural villages, it also was a problem to find employment for this increasing labor force. This was because grain was taken as the key link and the promotion of multiple enterprises was condemned as capitalism. Governed by this stringent ownership system, the road of agricultural production became narrower and narrower and planning employment for this new labor force in the rural villages became an outstanding problem.

After the fall of the "gang of four," production was restored and developed. Both the economic structure and the employment framework developed in a rational direction and the problem of linking together manpower and production materials was gradually solved.

The experiences gained since the establishment of the republic, particularly the two adverse experiences mentioned, were most deepgoing. This was because that on the one hand for a long time the country did not have a sufficient understanding of the planned control of population and even allowed correct ideas to be pushed aside and attacked. On the other hand, extreme leftist ideas in the sphere of economic work and policies were allowed to play havoc.

First, production relations had become deviated from the development level of production power. In 1957, Comrade Mao Zedong pointed out: "In planning, work and deliberation of problems, we must start from the standpoint of our country having a population of 600 million people. Never should we lose sight of this fact." "Our policy is to make unified planning with due consideration of all concerned and to make suitable arrangements." "Does it mean that the government must take care of all people and all things? Certainly not. Concerning people and things, social organizations can work out the means to handle them and so can the masses work out means to handle them. They can think out many, many good ways." (Mao Zedong: "On Correctly Handling the Problem of Contradictions Within the People," Mao Zedong's Selected Works, Vol 5, pp 387, 388.) Unfortunately, for a prolonged period we have not followed his words. Concerning the new labor force in cities and towns, we only thought of letting the state develop the unified arrangements for employment. There was no thought of depending on the strength of the society, nor on letting the masses directly work out ways and means. Concerning the economic structure, we despised the collective ownership system and rejected enterprises run by the individuals. We hindered development of production and hindered the masses from giving full play to their enthusiasm. In short, we reduced each individual's chances for employment.

Second, the planning of the economic structure was lop-sided. Take, for example, the rate of increase in the number of workers and employees of the various departments. If 1952 is taken as the base 100, then the index for 1978 would show that the increase in the departments of industry, capital construction, communications and transportation and agriculture and forestry was 463 percent, whereas the increase in such service departments as commerce, the food and drink trade, public utilities in cities and towns, culture and education and public health was only 98 percent. Naturally, old China's economy had been very backward and it was necessary after the founding of the republic to devote great efforts to develop the production departments of industry and communications and to appropriately speed up the development of heavy industry. However, other departments likewise offer essential conditions for smoothly promoting production and construction and for improving the people's livelihood. In 1977, of all of the workers and employees in the countryside, the ratio occupied by such service trades such as commerce, food and beverages and urban public

utilities tended to be low, being not only much lower than that in the Western economically developed countries but also lower than in many developing countries. This caused much inconvenience to the people's livelihood and at the same time prevented providing for more jobs to the labor force.

In handling the proportionate relationship between agriculture, light industry and heavy industry, for a long time the priority development of heavy industry was stressed one-sidedly, but heavy industry was mainly interested in serving itself and failed to give effective support to agriculture and light industry. As a result, there appeared the phenomenon of the materialized labor force edging away from the other types of labor force, a symptom which ordinarily could have been avoided under our country's socialist system. With heavy industry serving as an isolated but predominant force, an imbalance was naturally caused in the national economy. This tended to make all the more difficult the problem of finding employment for the newly emerging workers. The following table is illustrative: ratio of labor power between heavy industry and light industry in our country (light industry as base)

Year	1957	1960	1965	1976
Light industry	100	100	100	100
Heavy industry	66	184	111	157

From the above table it can be seen that on both occasions (1957 and 1965) when the employment problem was not so pressing the ratios for heavy industry were not so impressive whereas on the other two occasions (1960 and 1976) when the employment problem assumed serious proportions heavy industry development was stressed one-sidedly. (Of course, many other factors also had a bearing on the employment situation.)

II. Dialectically Looking at the Good and Bad Points of a Large Population

In the past, the belief was the more people the better. It overlooked that having more people would bring about difficulties in education, employment, housing and market supplies. This belief was indeed lop-sided. It caused such dire effects as the rate of population-increase being too high and the employment problem becoming more and more acute. To remedy this situation, the party and government put in force a series of forceful policies and measures to promote a planned birthrate and to control population growth. This was absolutely necessary and correct. In spite of this, due to our having lost control of population growth in the past, it is entirely possible that for some time to come objectively speaking the population in our country will continue to increase (naturally the rate of increase may be downward). In socialist construction, we must make good use of the advantages and avoid the disadvantages. Possessing a large population has its own advantages. We should make good use of these advantages and not view ourselves as helpless. Just exactly what are the advantages of a large population? For example, a large labor force

can fully utilize all production materials and available natural resources. It helps in promoting the development of such production enterprises and service trades in which machines cannot replace manual labor. It is advantageous to the development of enterprises requiring labor-concentration including enterprises [words indistinct] labor such as the electronics industry. A plentiful labor force plus a low wage level helps in lowering production cost and adds to the power of competition of goods in the international market. It expands foreign trade. Some developing countries take advantage of their having many people to speedily develop their economy and forge a bridgehead in the international markets. If only we could have a real understanding of this problem and rely on the superiority of the socialist system, it would be entirely possible for us to surpass them in accomplishments. Again, for example: the existence of plentiful labor force can enable youths to devote more of their time to education and training, thereby raising their scientific and technical levels and improving the quality of the labor force. Moreover, with a plentiful labor force more time can be given to leisure hours which is advantageous to the overall development of the individual. At present, labor efficiency is low while the working hours are long. Both of these conditions are disadvantageous from the public and private standpoint. On the premise of raising the labor productivity rate, we should consider the possibility of shortening the working time and improving the work and leave-taking system. In some cities, the textile departments have changed their 3-shift system daily to a 4-shift system daily, thereby shortening the working hours per shift. As a result, production efficiency went up, the cost of production went down, the health of the workers was improved, there were less family problems and everybody was happy.

III. Looking on All Sides at the Relationship Between Numbers and Quality in Regard to Labor Power

So far as numbers are concerned, our country has the most plentiful labor resources in the world. As to quality, our working people are diligent, industrious and courageous. Their socialist consciousness and enthusiasm are high. These are the good factors. However, their scientific and technical levels are relatively low. This is an unfavorable factor. Although many people are awaiting employment at the moment, yet, certain enterprises, after installing new equipment, are unable to find qualified workers to handle them. Some units have difficulty even in finding qualified typists and stenographers. Is this not a big contradiction?

In seeking improvement of the quality of the labor force, some comrades brought up the question of eugenics. They advocated preventing such phenomena as allowing retarded and other persons to have children and only allowing healthy persons the right to have children. This is, of course, important but it is also important to look into the subsequent education of the masses.

The mainstay of the labor force is the human being who has definite talents as well as experiences in production. How can we reinforce the education of an individual and raise the production capacity of a workers. (1) In the total investments of the state, there must be a rational ratio between investments in material resources and investments in human resources. Presently, investments on the latter tend to be on the low side. This state of affairs must be corrected. (2) We should carry out the two kinds of educational system advocated long ago by Comrade Liu Shaoji, that is to say, education in schools must be handled well and at the same time various other kinds and types of education outside the schools must be extensively promoted. (3) Within the structure of the intermediate schools, there should be a rational ratio between general education and vocational education. At present, the ratio for vocational education must be raised. (4) The most fundamental measure is to arouse the enthusiasm for learning and training on the part of the masses of youths. To do this, we must basically change the existing practices such as the state making unified distribution of jobs, or "allocating jobs to both good and bad applicants alike," or "making the rice-bowl an unbreakable one," or "only taking in employees without retiring any." We must seriously carry out the systems of picking only the good ones for employment, employing people according to their talents, and allowing application for jobs without restriction. Just as an enterprise under the guidance of the state's policy exercises freedom in employing its personnel so does the individual have a definite freedom to choose his or her profession. Past experience has testified that under conditions of socialism and in-between periods when the labor force shifts from studying to employment and vice versa it is inevitable that there is a small number of people awaiting employment. No harm can be done if the state can provide them with some relief without allowing them to drift along aimlessly, if their number does not exceed a definite percentage (say between 1 to 2 percent), and if the opportunity is used to give them due training and education. If an enterprise is devoid of the autonomous right of using people, then it would not be possible to carry out real business accounting, or to effectively raise the rate of labor productivity, or to change the lazy ideology of certain people to live on the state, or to arouse the enthusiasm of the masses of youths to study hard, to research conscientiously, to strive for advancement and to demonstrate the superior heritage of the Chinese race of being diligent, industrious, clever and intelligent. We must advocate that aiming generally at benefitting the four modernizations each and every person should insist on learning and studying tirelessly and tenaciously. The old exaggerated epithets of "going it alone" and "making a name for one's self and family" should no longer be tolerated.

In short, the study of population theory, including a study on how to fully utilize the labor power resources, must start from the actual conditions of our country and must serve the socialist modernized construction enterprises.

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LAW OF INSURING MEANS OF SUBSISTENCE DISCUSSED

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[Article by Dai Yuanchen [2071 0954 2525] of the Agricultural Finance Department of the Ministry of Finance: "On the Law of Insuring the Means of Subsistence"--slantlines denote boldface type]

[Text] The Law of Insuring the Means of Subsistence Is a Law of Reproduction Associated With the Law of the Preferred Growth of the Means of Subsistence

The Marxist theory of reproduction regards the preferred growth of the production of the means of production as the prerequisite for expanded reproduction. If the value of the means of production created by Category I can just offset the value of the means of production consumed by Category II, that is, if I (V plus M) is equal to IIC, then in the society only simple reproduction can be maintained and expanded reproduction will be impossible. If I (V plus M) is less than IIC, then even simple reproduction cannot be maintained. Increasing the means of production and expanding the production of the means of production are necessary for expanded reproduction. If expanded reproduction is not accompanied by a change in technology, the preferred growth in the means of production will be temporary and slow. The feudal economy remained stagnant for a long time but the capitalist economy enjoys rapid growth in the productive forces. The key reason is that science and technology creates colossal productive forces and that the organic composition of capital grows continuously. Lenin expounded the inevitability of the preferred growth of the means of production on the basis of Marx' theory of the continuous growth in the organic composition of capital under conditions of advancing technology. He pointed out: "Growth is fastest in the production of the means of production for manufacturing other means of production, slower in the production of the means of production for manufacturing the means of subsistence, and slowest in the production of the means of subsistence." (Lenin: Collected Works, "On the So-called Market Problems," Vol 1, p 71) Obviously, if either a capitalist or socialist society is to achieve continuous technological progress, the

organic composition of capital must increase continuously and the production of the means of production must enjoy preferred growth. In our country's achievement of the four modernizations, only the preferred growth of the means of production can make possible the production of various kinds of new technological equipment. Then various sectors of the national economy can enjoy continuous technological progress.

Lenin also pointed out: "The whole significance and role of the law of the preferred growth of the means of production is: the replacement of manual labor with mechanical labor (generally referring to the technological progress in the age of mechanized industries) necessitates the faster development of the production of coal and iron, which are 'the means of production for manufacturing other means of production.'" (Lenin: Collected Works, "On the So-called Market Problems," Vol 1, p 88) Following this instruction of Lenin, people put the development of heavy industry in a prime position, took the production of iron and steel as the key link for promoting the development of production in various industries, and took the targets for heavy industrial products like iron and steel as the main indicator of the degree of industrial development. This could not have been discredited if the requirements of proportionate development had not been violated. It is a great achievement to have built up today's industrial foundation which begins to take shape while our country was poor and suffered from backwardness in industry. We are marching toward the four modernizations and we want to arm various sectors of the national economy with modern technology and equipment. This is difficult to achieve without a high degree of development of heavy industry.

However, we must also note that during a certain period in the past, because the targets for certain major industrial products were set unrealistically high, not only were the heavy industrial sectors subjected to tremendous pressure, but agriculture and light industry were also displaced. Investment in agriculture and light industry was too small. The funds originally intended for effecting innovations, tapping potentials and transforming in the light industrial enterprises were often reallocated to heavy industry. The coal, electric power, oil, materials and raw materials as well as communications and transport services to be supplied to light industry were often reallocated to heavy industry. Therefore, the development of agriculture and light industry was inevitably hindered. Moreover, because of the high targets for heavy industry, heavy industrial products were mainly used for the industry's expanded reproduction. To a great extent the industry became a system that served itself and grew for its own sake and could not make due contributions to agricultural and light industrial development. All of us have been painfully aware of this.

Marx proved that the heavy industrial sector should not become a system serving itself and growing for its own sake. He pointed out that expanded reproduction necessitates an increase in both the means of production and the means of subsistence. "Category I must make use of its surplus

products and supply additional invariable capital to Category II. Likewise, in this sense Category II must also supply additional variable capital to Category I." (Marx: "Das Kapital," Vol 2, translated by Guo Dali and Wang Ya'nan, the People's Press 1964 Edition, p 576) Both categories I and II must develop and an appropriate proportional relationship must be maintained between them. This is because if Category I alone but not Category II is developed, and if Category II cannot supply more consumer goods to satisfy the growing needs of the additional labor force and workers, then expanded reproduction cannot continue. Marx said: "Let I.M/X denote the portion of I.M paid out as the capitalists' income. I (V plus M/X) can be equal to, larger than or smaller than II.C, but I (V plus M/X) must necessarily be smaller than II (C plus M). How much smaller depends on what fraction of II.M in Category II the capitalists must consume themselves in any case." (Ibid, p 581) Obviously, if expanded reproduction is to go on smoothly, then both M/V--the consumption of the additional labor force in Category I, and I/M/X--the portion of M in Category I used for the capitalists' consumption, must be compensated for by the means of subsistence supplied by Category II. Therefore, if we deduct from the products of Category II, that is, II (C plus V plus M), firstly the compensation for the consumption of the labor force in Category II itself, namely II.V, and secondly the compensation for the consumption of the additional labor force II/M/V together with the portion of M used for the capitalists' consumption II.M/X, then the remaining portion, namely II/C plus M minus M/V minus M/X), must be sufficient to satisfy the needs of Category I. Otherwise, disproportion between Categories I and II will result and production will be adversely affected. Therefore, I (V plus M) cannot exceed II.C in an unlimited manner. Category I cannot grow without limit. It is constrained by: I (V plus M/X) is less than II (C plus M minus M/X) which is in turn less than II (C plus M). The relationship which should be maintained between the two categories is that I (V plus M/V plus M/X) equals II (C plus M/C). If the workers' living standard is to be raised, we must also have I (V plus M/V plus M/X) less than II (C plus M minus M/V minus M/). [as printed] I think this thesis /can be termed the law of insuring the means of subsistence/. It is a law of reproduction associated with the law of the preferred growth of the means of production. Each of these two laws enhances and constrains the other. If the relationship between the two is satisfactorily handled, expanded reproduction can be quickened. If the relationship is improperly handled, the continuation of reproduction will be hindered.

Judging from the conditions of the various stages of development since the founding of the people's republic, we have been repeatedly penalized in practice for acknowledging in theory only the law of the preferred growth of the means of production while denying or not knowing the law of insuring the means of subsistence and denying or not knowing the importance of developing the production of the means of subsistence. The existence of the law of insuring the means of subsistence is conclusively demonstrated only when immense costs have been incurred, when the backwardness in producing the means of subsistence has affected the sustained

growth of the economy and the improvement of the people's livelihood, and when the gap between the effective demand and the supply of the means of subsistence is continually widening.

Understand the Law of Insuring the Means of Subsistence and Correctly Handle the Proportional Relationship Between Categories I and II

To correctly handle the proportional relationship between Categories I and II, it will be advantageous to understand and explore the law of insuring the means of subsistence and study the specific uses of the formulas reflecting the principle of reproduction. This is because the inequality: I (V plus M) greater than II.C must be constrained by another inequality: I (V plus M/X) is greater than II (C plus M). This places a limit on the highest and lowest values of the output of Categories I and II. In a plan for the development and growth of Categories I and II, does the preferred growth of Category I exceed the highest permissible value, and does the growth of Category II fall short of the lowest value which must be insured? These questions can be examined by substituting numerical data in the two formulas concerning reproduction. Thus these two formulas can be used to examine whether the two categories are proportionate and whether the targets are too high for the output of the means of production, in particular for the output of heavy industry.

In the past expositions on the formulas concerning reproduction, illustrative quantities concerning the two categories were often randomly invented. However, to apply theories about reproduction to practice, we should in our substitution use numerical data which can reflect reality. When talking about the proportional relationships between categories I and II or among agriculture, light industry and heavy industry, people often make comparisons with developed countries and wish to attain the proportions of such countries rather quickly. Actually, under conditions of differing organic compositions of capital funds, technological development and labor productivity, the numerical proportions of categories I and II will be greatly different and not comparable. Our country's agriculture is marked by a low organic composition of capital funds and low labor productivity. The average annual grain output of a worker is merely something over 2,000 jin. However, in an economically developed country, the annual grain output of an agricultural worker may be 10 to 100 times several thousand jin. In light industry, the organic composition of capital funds and labor productivity are much lower in our country than the economically developed countries. Therefore, the proportion of Category II output should be larger in our country than in the economically developed countries. Different countries cannot be compared in a simplistic manner. Therefore, when we talk about specific application, we mainly refer to a historical comparison. A country's economy invariably develops gradually on an existing foundation. Through quantitative historical comparison, we can examine whether the changes in the proportions of Categories I and II are in accordance with objective laws. Then we can opportunely know whether the proportional relationship between Categories I and II is appropriate and have numerical data available for helping us readjust the proportions of Categories I and II.

When reproduction goes on year after year, the numerical proportion between the two categories will change along with the increases in the organic composition of capital funds, labor productivity, the number of people employed and the workers' income. When we formulate economic plans, we cannot onesidedly and excessively expand the proportion of the Category I output, which will cause disproportions between Categories I and II. We also cannot make the numerical relationship between the two categories become a rigid proportion. Rather, we should adopt the viewpoint of movement and development to examine whether the changes in the numerical proportions of Categories I and II are rational or well coordinated. In this respect, we need to notice the following few points.

1. The magnitude of growth in the Category II output which we should maintain is inversely proportional to both the increase in the organic composition of capital funds and the increase in labor productivity, and directly proportional to both the growth of the labor force and the growth in the workers' income and their level of consumption. Therefore, if the number of people employed increases but other conditions remain unchanged, in particular if labor productivity remains unchanged, then the growth in the means of subsistence should correspond to the increase in the number of people employed. When formulating plans, if we excessively develop Category I production and neglect Category II production, then the expanded labor force will not obtain increased means of subsistence and this will go against the requirement of the law of insuring the means of subsistence. We should consider the needs of the increase in the number of people employed and basically maintain the same proportion between the additional I.C, I.V and II.C, II.V of the two categories.

In recent years, our country's economic development has depended mainly on building new enterprises and increasing the labor force and equipment. The economic growth rate has not exceeded the rate of growth in the number of workers. The industrial and agricultural labor productivity has not conspicuously improved. Moreover, in the days to come, it will still be a major problem to assign jobs to the considerable number of people waiting for employment. Nevertheless, recently people have still not adequately understood that giving priority to heavy industry and neglecting light industry and agriculture cause serious backwardness in Category II production. Therefore, we must conscientiously implement the principle put forward by the party Central Committee on readjusting the national economy and appropriately raise the proportion of Category II production. Only thus can we gradually alter the disproportion between Categories I and II in a planned way.

2. An increasingly dominant trend in our future economic development is to gradually employ modern advanced technology to equip various national economic sectors and alter the organic composition of various sectors in the course of the four modernizations. In the extreme case, if technological transformation and the increase in the organic composition of capital funds make it possible to increase output without expanding

the labor force and without increasing labor intensity, and if the workers' income remains unchanged, then expanded reproduction only necessitates an increase in the means of production and it is unnecessary to increase the means of subsistence. Then, when the reproduction in Category I expands, Category II can just maintain simple reproduction. If the workers' income increases, but the labor productivity in Category II increases even faster, then the proportion of Category I can relatively expand. Therefore, the proportional relationship between Categories I and II is not unchangeable. However, the extent of change and the tolerable magnitude of the preferred growth of the Category I output depend on the increase in the organic composition of the capital funds and the increase in labor productivity in the two categories as well as on a relative decrease in the demand for an additional labor force. Some comrades' understanding on this question is that under conditions of technological progress, the preferred growth of the means of production ceases to exist and the preferred growth of the means of consumption appears. It seems that when they oppose one kind of onesidedness they fall victim to another kind.

Judging from the modernization processes of various developed nations of the world, when Category I develops and when Category II is continually equipped with new technology so that the organic composition of capital funds in Category II continually increases, if labor productivity also continually increases, then a portion of the labor force can be continually transferred to Category I. In our country, in formulating plans in the future, corresponding changes should accompany considerations of technological progress and the modernization of our national economy. But ours is a large and populous country and every year many people must be assigned jobs. When we change the proportions of Categories I and II, we must fully take into account our country's characteristics and pay more attention to Category II production when we consider what technological means to adopt, the demand of additonal labor force by such technological means and so on. If we change the proportion too drastically, so that the limit permitted by the development of Category II production is exceeded, then we will be penalized in practice.

3. The compensation of fixed assets in value (amortization) and the material replacement of fixed assets (equipment replacement) are not synchronous. If the basic depreciation funds are withdrawn and used before the date due for equipment replacement, then because this actually amounts to increasing fixed assets, the labor force and consequently the means of subsistence must be increased, no matter whether the funds are used by the enterprises themselves or by the state, or whether they are used for filling up the gaps, forming complete sets or for tapping potentials. When the time is due for replacing fixed assets, the discarding and replacement of fixed assets will not pose a new demand on the labor force; the demand for labor may even relatively

decrease because new technology is introduced during replacement. Therefore, the problem of the contradiction between the demand and supply of the means of production as well as the problem of employment, brought about by the cyclical replacement of fixed assets, become a monster of inextricable cyclical crises which exist under capitalism. In the past there has not been much discussion on the relationship between the replacement cycles of fixed assets and reproduction under socialism. In fact such cycles also exist. However, the public ownership of the means of production prevents the replacement cycles from becoming cyclical crises. Nevertheless, the changes in the demand of new labor force, caused by the replacement cycles of fixed assets, will become increasingly manifest along with the progress of the four modernizations and the increase in fixed assets. This has been proved by the various problems brought about by the aging of some coal mines, oilfields and equipment of old light industrial and textile enterprises. This must be considered when planning for and studying the numerical proportions of Categories I and II.

4. Expanded reproduction is mainly effected through capital construction, and there is a certain time lag between the start of capital construction projects and the time when they go into production. Although in illustrations people usually allot the increased I.C and II.C to the expanded reproduction of the next year in their calculations, actually before the capital construction items go into production, they merely consume the means of production and living labor without supplying any products. Whether capital funds are invested in Category I or Category II, the capital construction projects can become real factors of expanded reproduction only after they have gone into production. Therefore, when formulating plans we can only consider the effects of those capital construction projects that go into production in the current year on the proportions of Category I and Category II output, but those projects under construction can only be deducted. For many years our country's capital construction front has been too extensive and marked by excessive scale and long cycles, so that the capital construction investment accounting for one-third of the total value of fixed assets, cannot play a beneficial role. For a long time the capital construction departments have consumed additional means of production and means of subsistence, but they have been unable to create wealth for society. This is a very marked problem of the reproduction process. Therefore, reducing the capital construction front and shortening the capital construction cycle are important tasks in quickening our national economic development and in enabling reproduction to go on smoothly.

The two formulas concerning reproduction mentioned above deal with the relationship between Categories I and II. However, the means of subsistence, like food, clothing and daily necessities, are the needs of the whole society. When we apply these two formulas in practice, we must also consider the several points below.

1. Discussions of the proportional relationship between Categories I and II usually exclude the sectors of nonmaterial production, such as commerce, service trades, scientific research and the cultural, educational, medical

and health and administrative sectors. However, the people in these sectors also need food and clothing, which are made available through either the redistribution of I.V and II.V or the deduction from II.M, namely II.M/X. In the final analysis, if the personnel of these sectors as well as the social aggregate purchasing power are increased, Category II must supply additional means of subsistence. Therefore, when formulating plans, aside from controlling the social aggregate purchasing power, we must also correctly handle the relationship between the material production sectors and the nonmaterial production sectors. For one thing, it is incorrect to despise the nonmaterial production sectors, to regard commerce, service trades, scientific research, cultural and educational work, medical and health work and so on as dispensable, to downgrade them as subordinate to the productive sectors and to onesidedly emphasize self-service. For another thing, it is also wrong to excessively develop the nonmaterial production sectors without considering the reality that labor productivity is low in our country's material production sectors. It is wrong to assume that the service sectors can accommodate an unlimited number of people waiting for employment, without considering the fact that the consumption needs of the additional labor force must still be taken care of mainly by the material production sectors. In the final analysis, only by quickening the development of Category II production can we create conditions for the development and growth of the nonmaterial production sectors.

2. The military industry is often regarded as a heavy industry and examined as Category I production. Actually, this industry neither produces means of production nor means of subsistence. It takes away means of production from Category I and means of subsistence from Category II and produces those arms, ammunition and equipment necessary for safeguarding national security. Only that part of it producing goods for civilian use can really be classified into Categories I and II according to the nature of the products. Therefore, suppose production in the military industry is called Category III, it will perhaps be more appropriate to deduct the quantities of Category I and Category II products supplied to Category III. This will perhaps be more favorable to specifically analyzing and studying the proportional relationship between Categories I and II.

Category III continually takes away means of production and means of subsistence from Categories I and II. This will inevitably affect the speed of social expanded reproduction. At present Japan, West Germany and so on enjoy rapid economic development while the Soviet Union and the United States have slow economic development. The causes are, of course numerous, but to some extent this is caused by the differences in their military expenditures and the scale of their military industries. Therefore, when organizing social reproduction, we must correctly handle the relationship between national defense construction and economic

construction. To protect our great socialist motherland, we must strengthen national defense construction and gradually achieve modernization in national defense. However, the extent of such construction must be appropriate. The economy is the foundation and the modernization in national defense cannot be achieved independent of the modernization of the national economy. We must not neglect the important problem of correctly analyzing and judging the world political situation and the possibility of war and using precious times of peace to reduce military expenditures and spare funds for quickening economic construction.

3. Foreign trade is often ignored in discussions of the proportional relationship between Categories I and II. However, through circulatory processes and through the import and export of Category I and Category II products, foreign trade will ultimately affect the proportions of the actual supplies of Category I and Category II products. If foreign trade serves to exchange our surplus products for what we lack, it will play the role of adjusting the proportional relationship between Categories I and II and help alleviate the contradiction between supply and demand. On the contrary, if we exchange what we lack for what we urgently need, the shortage of certain commodities will be aggravated. At present two-thirds of our country's exports are agricultural and sideline products and light industrial and textile products whose raw materials are agricultural and sideline products. The principal imports are technological equipment essential for achieving the four modernizations. In view of this situation, in planning we should proceed from our country's conditions of having a large population and low wages, gradually alter the situation that the export goods are chiefly agricultural and sideline products and products processed from them, and strive to export more secondary industrial products. We should also consider exporting some expensive durable consumer goods to withdraw money from circulation and to help achieve equilibrium in the demand and supply of consumer goods. Thus the planning of import and export trade will be more satisfactorily linked up with the requirement of achieving an appropriate proportional relationship between Categories I and II.

People often take the income from the remittances by overseas Chinese and the income from tourism as invisible foreign exchange earnings, because compared with foreign trade such income does not involve exporting goods to earn foreign exchange. However, when the relative of an overseas Chinese receives remittances, they will purchase various consumer goods; and although tourism is called a nonmanufacturing industry, it involves providing various services to the tourists, such as accommodations, food and drink, sightseeing, recreation and cultural activities, and it involves the consumption of consumer goods. An ample supply of consumer goods and good services are important prerequisites for increasing invisible income. If this point is neglected and it is misunderstood that invisible income can be earned without supplying any commodity, so that a shortage of supplies develop, then the income from the remittances of overseas Chinese and from tourism may be affected.

4. When discussing whether the proportions of Categories I and II are appropriate in the reproduction process, people usually do not consider whether the budgetary income and expenditure as well as credit receipts and payments are in equilibrium. However, in actual life, if we pursue infeasibly high targets for economic development, the planned level of (M/C plus M/V plus M/X) may exceed the overall level of M, which means that there is a deficit in the budgetary income and expenditure or a difference between credit payments and receipts. Alternatively, there appears to be no deficits, but the commercial and commodity departments have purchased large quantities of commodities without use value and the fiscal revenue and expenditure accounts are untrue, so that when the huge losses are cancelled after verification, the actual deficits will be substantial. A deficit budget indicates that capital construction exceeds the capability of the country's resources, so that the proportional relationship will inevitably be inappropriate. This is because the quantity of goods distributed actually cannot exceed the quantity produced, so that if the quantity distributed exceeds M and if M/C is to be insured, then M/V will be displaced or even V itself may be displaced and cannot be fulfilled. On several occasions our country had an excessive accumulation rate and disproportion between accumulation and consumption. Essentially an excessive accumulation rate is principally related to an excess of the quantity distributed over the quantity of M or related to a budgetary deficit. Therefore, we socialist countries must not use the deficit-budget method to undertake capital construction. Otherwise, the proportion in reproduction will not be rational and reproduction will not progress smoothly. When planning for the correct handling of the proportional relationship between Categories I and II, we must conscientiously consider the various aspects discussed above, because they will affect the specific quantities to be substituted into the two formulas: I (V plus M) greater than II.C and I (V plus M/X) less than II (C plus M). Only after computation and specific quantitative analysis can we scientifically judge whether the targets for Category I are too high or whether there is a tendency of production for production's sake.

Continually Raise the People's Living Standard Under the Prerequisites of Vigorously Promoting the Production of the Means of Subsistence and Striving for an Equilibrium Between the Supply and Demand of the Means of Subsistence

The above discussion seems to have ignored raising the workers' income. But the aim of socialist production is to satisfy to the greatest extent the people's material and cultural needs. When organizing socialist reproduction, we must not only consider the demand of the additional labor force on additional means of subsistence, but also fully consider the demand for additional means of subsistence which will accompany an improvement in the people's livelihood. If this is not adequately considered and planned for, then during the social reproduction process the law of insuring the means of subsistence will not be fulfilled and

consequently in the circulation process a discrepancy between effective demand and the supply of consumer goods will appear. Therefore, an appropriate proportional relationship between Categories I and II refers to an appropriate proportion based on an insured continual improvement in the people's livelihood. If the people's livelihood is not improved, then the apparently appropriate proportion is actually disproportion in disguise. Failure to improve the people's livelihood coupled with disproportion will amount to grave disproportion.

During the first five-year plan period, the livelihood of our country's people was continually improved along with the development of production. However, during a subsequent period, the development of production was emphasized onesidedly, the accumulation rate was too high, heavy industry excessively served itself and the people's livelihood suffered from many shortages. These shortages must be made good. Those practices of emphasizing production alone at the expense of livelihood as well as emphasizing heavy industry and capital construction investment alone without caring about proportionate development were marked by leaving gaps everywhere, displacing funds everywhere and not caring about how to make good the shortages. The subjective intention of such practices was to accelerate economic development, but actually they could only result in disproportion and could not promote economic development.

But how can we make good the shortages? Good aspirations must be combined with practical feasibility. Lin Biao and the "gang of four" pushed our country's national economy to the brink of collapse. It takes time to bring order out of chaos, to heal the wounds and to readjust the proportions. It is not realistic to wish that the shortages accumulating for a long time can be completely made good in a day. Production and consumption are a unity of opposites. Production generates consumption and consumption also calls for production, but nevertheless production is ultimately dominant. What can be consumed are the products produced. It is unrealistic to demand making good the shortages at an excessive speed incompatible with the level of development in the production of the means of subsistence.

Therefore, despite the past shortages in connection with improving the people's livelihood, making good such shortages must be based on the development in Category II production and the continual increase in labor productivity. Improvement in the peasants' livelihood can be a natural consequence of the output growth of the collective economy and can also be achieved through raising the state purchase price of agricultural products. Last year the price readjustment in our country enabled the peasants to earn an additional several billion yuan. This drastically increased the peasants' enthusiasm for raising output. However, a price readjustment implies that the state must supply more industrial products in exchange for a given quantity of purchased agricultural products. The peasants can really benefit from a price rise only if such a rise is insured by material resources. Adjusting

the workers' wages and distributing bonuses are important measures in implementing the principle of distribution according to work done. They powerfully mobilize the enthusiasm of the working masses. Within a short span of several years after the crushing of the "gang of four," the workers' wages have been readjusted three times in our country. This has won great popular support. But this must be backed up by increasing the output of the means of subsistence. Otherwise, the extra money income cannot be used to buy commodities and the broad masses of people will not enjoy real benefits.

To improve the people's livelihood, the key measure is to vigorously develop the production of the means of subsistence. Not only must agriculture and light industry develop greatly, but heavy industry must also produce more means of subsistence. Heavy industry must change over from serving itself to serving agriculture and light industry, supplying them with more machinery, equipment, materials and raw materials. In the past, agriculture and light industry gave way to heavy industry in the use of electric power, coal and communication and transport facilities. Now heavy industry can also give way to agriculture and light industry to enable the production of industrial and agricultural consumer products develop faster. Moreover, heavy industry can also supply the market with means of subsistence. At present the machine building and electrical machinery industries have surplus production capacity. Substantial potentials can be tapped if the organization work is done well to develop the production of durable consumer goods such as domestic electrical appliances. With the development of production, an ample supply of many varieties of consumer goods will be offered to the market and it will be easy to achieve an equilibrium between the supply and demand of consumer goods. It will then be possible to improve the people's livelihood further.

Vigorously developing the production of the means of subsistence is to fulfill the law of insuring the means of subsistence and this does not negate the law of the preferred growth of the means of production. It is because when the production of the means of subsistence lags behind that of the means of production, if we give priority to developing the production of the means of subsistence for a certain period of time, it is to let the lagging production sectors catch up quickly and to coordinate production in the two categories. Over a longer period, however, the production of the means of production will still develop faster. It is because sustained development in the production of the means of subsistence and the continual raising of the standard of technological equipment do necessitate the preferred development of those sectors producing the means of production. The two formulas concerning the principle of reproduction are a unified whole and we must not emphasize one of them at the expense of the other.

We study the law of the preferred growth of the means of production and the law of insuring the means of subsistence because we want to discover the optimum proportions and optimum composition for producing the means of production and the means of subsistence, to make a theoretical study of quantitative relationships and to provide a theoretical basis for planning for Categories I and II. I hope those comrades interested will give their opinions on whether the law of insuring the means of subsistence can be established as a theory. (Revised version, May 1980)

CSO: 4006

ECONOMIC PLANNING

SUGGESTIONS FOR HARNESSING YELLOW RIVER GIVEN

Dam Construction

Beijing GUANGMING RIBAO in Chinese 21 Jun 80 p 2

[Article by Xiao Bingjun [5135 4426 6874] of the Ministry of Water Conservancy]

[Text] Since the PRC was established, concerned departments have done quite a lot of work on harnessing the Yellow River, and their accomplishments are everywhere apparent. At present, however, soil erosion on the loess plateau is still very serious and the amount of silt entering the river is becoming larger and larger all the time; this clearly indicates that our strategy and measures in harnessing the Yellow River are still problematical. For many years, we have merely gotten a hold on flood-prevention measures for the lower reaches, without concentrating our forces to do a good job on water and soil conservation for the middle reaches, and this has been very unwise. At the same time, we did not look upon the area watered by the Huanghe (Yellow), Wei and Haihe rivers as an area where there is an opportunity for harnessing the river water for the area as a whole, but harnessed each river system independently. Doing things in this way, it was not possible to obtain the proper results. On the contrary, it created serious waste and left behind quite a number of lingering bad effects. I consider that the focal point of the strategy for harnessing the Yellow River should be placed on soil erosion on the middle reaches, and the crux is solving the problem of silt. To bring the Yellow River under permanent control, I am especially bringing out the following several suggestions:

1. Construct Daliushu Dam (situated near Zhongwei in Ningxia Province), plant many forests and grassland areas to control soil erosion along the middle reaches, and provide a water source for them. The harm done by the Yellow river derives mainly from the fact that its silt content is too high. According to statistics, the average yearly silt discharge of the river already amounts to 1.6 billion tons. It has already been clearly demonstrated by surveys that more than 900 million of those 1.6 billion tons come from the various tributaries of the middle reaches from

Hekouzhen in Inner Mongolia to the Longmen section of Shanxi, it being in particular from the Huangfuchuan, Kuyehe and Tuweihe rivers situated in Shanxi, Gansu, Ningxia and Inner Mongolia that the quantity of sand (coarse sand) is the greatest. Aside from this, the influence of sand coming from the Wulanbuhe and Maowusu deserts in Inner Mongolia on increasing the silt content of the Yellow River is also very great. Regarding the above problem, at several meetings in recent years on the subject of harnessing the Yellow River, a good many experts and persons engaged in scientific and technical work have all already recognized that we must concentrate our forces and as soon as possible harness the middle reaches of the Yellow River where soil erosion is most serious; only then can the Yellow River be saved. The principal method they proposed for harnessing the river was to plant many forests and grassland areas along the middle reaches on the loess plateau and in the wilderness grassland areas of Inner Mongolia to check soil erosion, and this method is completely correct. The plan's only insufficiency was that they did not give any consideration to solving the problem of the water source needed for planting so many trees and grasses. On the loess plateau rainfall is scant, and there is a deficiency of water sources; if attention were paid to sowing and not to watering, it would be difficult for the trees and grasses to survive. Because of this, I consider that, in calling for the planting of so many forests and grassy areas, one must at the same time help the affected area solve the problem of a water source, and the way to do that is to build Daliushu Dam as soon as possible.

Daliushu Dam is situated between Gansu and Ningxia provinces at the point where the river valley issues from the mountain gorges. After completion, it would be capable of controlling approximately 70 percent of the volume of the Yellow River, and it could provide an ample water supply for the planting of forests and grassy areas on the loess plateau and in the wilderness grassland of Inner Mongolia. According to surveys, if a canal were constructed to channel the water in a northeast direction from Daliushu Dam, it could traverse Lingwu, Taodong and Yenchi in Ningxia Province, then cross Yenbian, Dingbian and Jingbian in northern Shanxi, and converge with the Wudinghe River. Once there is a canal to channel the water, one could then set up forest belts connecting the "Three Bians" [referring to Yenbian, Dingbian and Jingbian above], Hengshan, Yulin, Shenmu, Fugu, Wushenqi, Yijinhuoluoqi, Zhungeerqi and other areas, control soil erosion, keep in check the invasions of wind and sand, and gradually remake the Maowusu Desert. If a canal were constructed from Daliushu Dam to channel the water in a northerly direction, it could lead from Zhongwei, Yanhe, and along the west bank of Lan Shan, to Dengkou and Henshan in Nei Monggol. After the water is channeled off to flush out the silt, and the silt is carried off, trees and grasses could be planted to set up a great shelter-forest belt on the west bank of the Yellow River, remaking the Wulanbuhe Desert. From Daliushu Dam a canal could also be constructed to channel water to the upper part of the North China Plain watered by the various tributaries of the Wudinghe River in northern Shanxi (the Yanhe, the northern Luohe, and the

Malianhe, a tributary of the Jinghe), to serve as a water source for the tableland of the loess plateau (in some places, water can be pumped up), and enable that area to first plant the trees and grasses. At the same time construct level terraced fields, and make use of open, level areas and valleys, etc. to prevent soil erosion.

To harness the vast area of the middle reaches of the Yellow River, construct Daliushu Dam and plant forests and grassland areas on a large scale, not only requires a large number of scientific and technical personnel and a large quantity of material and equipment, but a large number of construction workers, forestry workers and agricultural workers is also needed--these to improve the area's communications and transport conditions. For this reason, I suggest constructing a railroad as soon as possible from Ningwu in Shanxi through Fugu, Shenmu, Yulin, the "3 Bians," to Zhongning in Ningxia Province, connecting the Beijing-North China Plain Line and the line from Zhongning to Wuwei running through Gantang and Wuwei, forming a Beijing-Xinjiang and Beijing-Qinghai line. At the same time, we should construct two branch lines from Baotou through Yanan to Xian, and from Zhongning through Huaning to Baoji. And also transport out the coal that the area is so rich in.

2. Construct a "small-wave-bottom" dam, and at the same time divert the waters of the Han, Ji and Yellow rivers so as to flush out the Yellow River's channel, and solve the problem of the accumulation of silt and the rising of the river bed. At present, in the river channel along the lower reaches of the Yellow River, the river bed, owing to the accumulation of silt, has already risen to a dangerous level. Because of this, increasing the capacity of the Yellow River to carry sand into the sea and flush out the silt, and preventing the river channel from continuing to silt up--these are measures that must be adopted in the near future. To this end, I consider that, first of all, we must construct a small-wave-bottom dam. This dam would be situated along the middle reaches of the Yellow River at the mouth of a great pass west of Mengjin in Henan, and would be capable of controlling all of the silt of the middle reaches of the Yellow River before it enters the Plain. For this reason, it could become the key pivot for controlling silt along the Yellow River's middle reaches. The small-wave-bottom dam should be designed to be a dam capable of carrying out the transporting and removal of high-density silt, and also capable of diverting the yearly average of close to 20 billion cubic meters of clear water into electricity production, transport capability, and irrigation. After the small-wave-bottom dam is constructed, we can attain the goals of separating out the silt and water and dealing with them separately, and changing a harmful condition into an advantage. The small-wave-bottom dam would have, comparatively for the area, a rather deep drop, and in the course of the dam's construction this feature could be used to advantage, designing it to consist of three levels of water-sluicing facilities with the top level being the spillway, the middle level used to produce electricity, and the lower level used to drain out the silt. It is estimated in advance that after the dam is

constructed, each year it will be possible to use a volume of from 2 to 2.6 billion cubic meters of water to drain off a billion and several hundred million tons of silt. Secondly, we must at the same time divert the Hanshui River over to the Yellow River, increasing the Yellow River's capability to carry silt into the sea. I suggest that the water be diverted from Danjiangkou Dam. At present, this dam has a high face, but low sides; but merely by following the original design program and raising the height of the face of the dam to 175 meters, we could then transport out in a northerly direction a yearly average water volume of 23.5 billion cubic meters, and could divert 15 billion cubic meters of it to the Yellow River. In seasons when the water is not being used for irrigation, diverting these waters into the Yellow River, to flush it out, would greatly increase the Yellow River's ability to flush out silt and carry it into the sea, diminish the accumulation of silt along the lower reaches of the river's channel, prevent the river channel from continuing to silt up, and guarantee a safe flood discharge.

3. Combine the measures for harnessing the Yellow River with harnessing the Huaihe and Haihe rivers, realizing an overall harnessing of the area watered by the Yellow, Huaihe and Haihe rivers. In order to guarantee a safe flood discharge on the lower reaches, I suggest taking the Yiluohe River in Henan and the Qinhe River in Shanxi, which flow into the Yellow River, and causing them to flow separately from the Yellow River, in order to diminish the Yellow River's flood peak; (and) at the same time separately to divert the Yiluohe into the Huaihe River system and the Qinhe into the Haihe River system, solving (the problem of) the disaster of flood waterlogging in the area; in this way, the waters can still be used for transport and irrigation.

At present the Yellow River's course on the lower reaches has already risen to more than 10 meters above ground level, becoming a river hanging above the ground. The river's course, owing to the unceasing accumulation of silt, is becoming broader by the day, and the volume of the moving flood has diminished greatly. If we met with a flood-peak flow volume of 23,300 cubic meters per second like that which occurred in 1958 (a flood-peak flow volume encountered once a century), then the dikes would be in danger of breaking. At present the flood-peak flow volume of the Yellow River at high-water season is greater than 10,000 cubic meters per second, and the great dikes then allow their overflow dikes to be breached. Because of this, I suggest causing the Yiluohe, the Qinhe and the Yellow River to flow separately, and add to this the flood control capacity of the Jinjiaxia, etc. dams on the upper reaches; then we can diminish the Yellow River's flood peak down to a level of flow volume that the large dikes can withstand (i.e., below 10,000 cubic meters per second), in order to guarantee a safe flood discharge into the sea.

After the trunk stream of the Yiluohe is separated from that of the Yellow River, and its waters are diverted toward the east, it will be possible to use its yearly average water volume of 3.5 billion cubic

meters to irrigate arid areas along the south bank of the Yellow River in eastern Henan, western Shandong, Anhui and northern Jiangsu; and it would also be possible to form a Zhengzhou-Xuzhou-Haizhou canal, tying together all of the riverways south of the Yellow River and regulating their use in a unified way. Toward the south we could then divert the trunk canal of the Hanshui, connect it with the Tahe River--Suxian--Huaiyang canal, connecting the Dongshahe, Ruhe, Yinghe, Guluhe, Huijihe, Wohe and Kuaihe rivers, and carry out a unified regulation of their use. In this way, not only would it be possible to eliminate the problem of drought north of the Huai (river) and bring about advantage for transportation but, moreover, it would enable the trunk stream of the Huaihe River to only take on the burden of water coming from mountain regions in the south, and be freed of the assumed burden of the converging waterlogged floodwaters of the various rivers watering the vast area to the northwest. Because of the fact that all of the rivers in the area watered by the Huaihe River can be separated and each allowed to flow eastward to the sea, it is possible to avoid completely the disaster of the soil in the area becoming waterlogged and then alkaline.

After the trunk stream of the Qinhe River is separated from the Yellow River, its yearly average volume of 1.5 billion cubic meters could flow east into a Xinxiang-Yucheng-Fuguo canal formed after the Weihe and Tuhaihe rivers were connected; it would also be possible to divert the regulated flow of the main trunk canal of the Hanshui River into a Gandan-Jianqing-Chengkou canal, formed after the Fuyanghe and Majiahe rivers were connected, which would then enter the sea. In this way, the excess floodwater of Pudongnan and the northern bank of the Yellow River could flow directly into the sea by means of the two canals above. The situation that existed in the past when the Zhanghe, Weihe and Fuyanghe rivers, because none of them can flow directly into the sea, flowed north instead to converge with the Hutuohe, Daqinghe, Yungdinghe, Chaobaihe and Wenyuhe rivers, overflowing and becoming rampant on the plain of the Haihe River, becoming a disaster, would thus naturally be eliminated.

The above suggestions have been considered from the point of view of a long-term strategy, and for that reason require a comparatively long period of time before they could be brought to realization. Nevertheless, from this time on we must set to work on planning. It is hoped that concerned departments will conscientiously get a hold on a program to bring the Yellow River under control once and for all.

Causes of Harm

Beijing GUANGMING RIBAO in Chinese 21 Jun 80 p 2

[Article by Zhu Xian [2612 7359 6206], researcher of the Institute of Northwest Water and Soil Conservation of the Chinese Academy of Sciences]

[Text] If we want to harness the Yellow River, we must find out the origins of its harmfulness, and a correct way of eliminating the harm and bringing about benefit. Several thousand years of experience in harnessing the Yellow River clearly prove that, with the current, soil will flow along indiscriminately; if it silts up too chaotically, disaster will result; if the soil is kept, held back, raised up, (and if the silt is) directed and deposited by "yuguan" [warping] on land used for production, then benefit will arise. It seems that retaining (the soil from being eroded) on the spot is the best possible scheme; for the water not to flow down onto the bank, and for the mud not to go out into the channel, is the next best scheme; to construct a dam for every channel, keep back the silt and retain the water, and divert the floodwaters for warping on level ground along the banks and tableland, reducing the flood peak, is the next best scheme; to construct a dam to retain the floodwater, and build dikes to stop up the "kou" [literally, mouths] is the next best. However, the Yellow River has been doing harm for a thousand years, and the cumulative seriousness of it is hard to reverse. The upper, middle and lower reaches are different in countless ways, with the problems in the different areas having varied degrees of urgency and seriousness. Therefore, both an overall, long-term plan for the permanent control of the river, systematic, concrete steps for implementing it and a well-conceived construction plan are required.

On the loess plateau situated on the middle reaches of the Yellow River, land use is extremely unreasonable, tending to destroy the ecological environment and increase the severity of soil erosion, creating the basic cause of the Yellow River's harmfulness. For this reason, a general harnessing of the loess plateau is the fundamental, radical way for the development of production and getting the Yellow River under complete control. A general harnessing must also be on the basis of reasonable land use. At present, if we want to change the backward condition of this area's agricultural, forest, livestock and sideline products production, and the difficult condition of the people's livelihood, we must completely eliminate the influence of the thinking that favors planting only food crops. The situation of reclaiming land on the slopes in such a way as to have extensive cultivation with meager harvest is a long-standing bad custom. Thinking that favors the planting only of food crops enables this kind of bad custom to be perpetuated. Now, we must from top to bottom bring order out of chaos, make a great effort to plant forests and grassy areas, bring about an overall development of agricultural, forest and livestock production, and gradually change extensive cultivation with meager harvest to slight cultivation with abundant harvest;

only then is there hope for the loess plateau. Self-sufficiency in food for this region is attainable. All the production brigade cadres even say that for all areas there is a precedent of dry land producing over 600 jin per mu, and wet land producing over 1,000 jin per mu. This clearly indicates that if only the majority of production brigade cadres and commune members carry out scientific planting, it would be completely possible to reach this level. Only, in order to speed up the bringing under control of the loess plateau, I suggest that the nation exempt this region from the state purchase quotas, encourage all areas to proceed with the overall development of agricultural, forest and livestock production, and especially encourage the development of livestock production.

The greening of the loess plateau is a fundamental measure for harnessing the area; only if the vegetation is completely restored will the entire ecological environment have the possibility of improvement, and disasters of floods and droughts, especially torrential rains and hail-bearing rainstorms, have the possibility of being mitigated, and more or less eliminated. The thickly layered loess is sparse and easy to flush away, and as soon as a runoff occurs on the surface of the ground, the soil is very easily eroded; this is the cause of the high-silt-content floodwater found in every ditch, gorge and river course. If plants were grown on the surface of the ground, whether the roots were of grasses, shrubs or trees they would be able to intercept the ground-surface runoff on the spot, keep the fertile soil in place, cause ground-surface water to become underground water, reduce sudden rises and falls in the flood peaks of river valleys, stabilize the year-round flood volume of the river, and in this way not only eliminate at this source the harmfulness of the floodwaters of the lower reaches of the Yellow River, but at the same time help with the lower reaches' use of water.

Reasonable land use and the restoration of vegetation for the loess plateau, seen from the angle of ecology and soil and water conservation, should be determined separately for each region. The area north of the ordinary grassland region should have as its aim the setting up of a modern herding base area, and plant mainly forage grass and shrubs; trees can only be used for shelter purposes, and it would not be appropriate to plant them in whole tracts. Aside from serving as a base area for forestry, the area south of the forested grassland area should also plant mainly shelter-forest, which can be planted in stretches on slopes. To sum up, shelter-forest should be combined with fuel forest; herding forest should be combined with forests used for regulating the amount of runoff; check dams with fixed channel beds should be combined with "liugutang" [willow check dams]; and fruit tree forests should be supplemented with the appropriate engineering and biological measures. The way for planting forests and grass should be mainly by manual labor, to be supplemented by [forest and grassland] reservation plus nurturing. For sparsely populated and comparatively arid areas, aerial sowing can be employed; however, on the ground this should be supplemented with manual loosening of the soil, tending and such work. Aside from state-managed forests, after

the forests are planted the property rights will revert to the communes and brigades, to the extent that the group will plant, the group will protect and the group will reap the benefit, in order to mobilize fully the initiative of the great masses.

Combining Damming, Draining, Removing Silt

Beijing GUANGMING RIBAO in Chinese 21 Jun 80 p 2

[Article by Jiang Huichou [5592 1798 0321], deputy chief engineer of the Yellow River Water Conservancy Committee]

[Text] The disease of the Yellow River is silt. To summarize all the experience of the past in harnessing the Yellow River, I consider that if we want to solve the Yellow River's silt problem, we must, on the basis of doing a good job of water and soil conservation on the middle reaches, implement a policy of combining damming, draining and removal of silt. Causing the Yellow River's water and silt to change from being a source of harm to an advantage will benefit production on the upper, middle and lower reaches.

In "damming" we must first place importance on doing a good job of bringing under control the approximately 100,000 square kilometers of sandy and coarse sandy area along the middle reaches of the Yellow River. In bringing the area under control, we must put into effect a method of combining engineering measures and biological measures; at the same time as making a great effort to plant trees and grasses, we should supplement our efforts with large and middle-sized dams to hold back the silt, intercepting a portion of the silt and causing it to accumulate in the thousand ditches and 10,000 gullies of these areas, and to disperse over the banks, tableland and flat open country. However, in view of the fact that the above-mentioned measures require a comparatively long period of time before the effects of holding back the silt are everywhere apparent, for the immediate future we should combine reaping the benefits of controlling the floodwaters, the construction of Long Men, Xiao Langdi small-wave-bottom and other key projects, and making use of blocked-off storage capacity to block off the silt, as interim measures. According to estimates, with only the Longmen and Xiao Langdi dams' blocked-off storage capacity, 16-17 billion cubic meters (of silt can be retained), enabling the silting up of the lower reaches of the river's passage to be diminished within 30 to 40 years.

There ought to be four kinds of measures for the "removal of silt." One kind is depositing the silt along the banks and beaches; along the sandy beaches of the middle reaches from Longmen to Tongguan, and along Wenmengtan beach in Henan, the surface area is rather large and, moreover, it would be comparatively easy to place the silt. This should be a priority measure. Another method is to deposit the silt and strengthen the dikes on both banks along the lower reaches, and raise big, higher

dikes above the surface of the ground on both sides, gradually causing the lower reaches of the Yellow River to become a relatively underground river. Another measure is to combine diverting the Yellow River's water for "yuguan" [warping] of farmland with causing the portion of the silt that leaks off to fertilize the fields. Yet another measure is to deposit the silt on low-lying alkaline land beyond the dikes, though this method would affect the population, and the amount of farmland affected would be rather much, so experiments should be made first, and one should proceed with caution.

By "draining" is meant discharging the sand into the sea. Two different measures might be used; one is to harness the lower reaches of the river's course as a whole, and to harness the river's mouth, increasing our ability to arrange the flow of the headwaters, and of the silt; yet another is to make use of dams to shift the water and sand, causing the silting up of the river's course to diminish, and flushing as much sand as possible into the sea.

None of the above-mentioned measures of damming, draining and removal of silt is unlimited in its capacity to solve the silt problem; there are a good many measures that can only be effective over a definite period of time; because of this, we must use water and soil conservation along the middle reaches as our basis, for the final solution of the problem of the silting up of the Yellow River lies in water and soil conservation along the middle reaches.

Based on the practical experience of the Sanmen Gorge dam's holding back silt, we need only lower the Yellow River's yearly silt discharge capacity from its present level of 1.6 billion tons to 800 million tons, and then the lower reaches of the river's course would have a low level of silting, and the problem of the Yellow River would be fundamentally solved. I consider that, if only we adopt a policy for harnessing the river of damming, draining and removal of silt, and use a combination of many measures, then in 20 or 30 years there will be an everywhere-apparent change in the present dangerous situation along the Yellow River's lower reaches.

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POST, TELECOMMUNICATIONS MANAGEMENT SYSTEM TO BE RESTRUCTURED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 5, 15 May 80 pp 12-14

[Article by Chu Hua [5969 0553]: "Restructuring Post, Telecommunications Management System"]

[Text] Due to the interference and sabotage of the extreme leftist line of Lin Biao and the "gang of four", and with some shortcomings in our economic work, our nation's postal and telecommunications departments are suffering from widespread problems of duplicate offices, scattered personnel and facilities, low labor efficiency, poor economic effects and the root cause is the problem of management. Reviewing the positive and negative experiences and lessons of the past 30 years since Liberation and in view of foreign management experience, a reform of the management system of the postal and telecommunications departments to adapt to the needs of the present situation has been the urgent task of the present time.

The economic activity of the postal and telecommunications departments begins from telecommunications production activities (sending of messages for users or providing channels for the transmission of messages). To accomplish the task of communications production, there must be a definite material and technological foundation, i.e., a communications network of bureaus and stations and a communications network must be built. To assure the material and technological foundation of communications production, agencies for research and development of corresponding communications equipment and facilities, production design and installation must be set up. The relationship among the various kinds of economic units within the post and telecommunications department is: the degree of society's need for post and telecommunications determines the scale of the network of communications bureaus and stations and the communications network. The scale of the network of the communications bureaus and stations and the communications network determines the amount of expenditure for communications facilities and equipment. The amount of expenditure for post and telecommunications equipment and facilities also determines the size of the market of the research and development agencies,production agencies, design agencies and construction agencies for communications facilities and equipment.

According to the analysis of the characteristics of the economic activities of the post and telecommunications departments and the demand for socialization and specialization in production, I believe the following reforms can be made in the present post and telecommunications system: The present city and county post and telecommunications bureaus (or post offices, telegraph offices, municipal telephone offices) should be set up as business enterprises. A post and telecommunications company should be set up throughout the nation in charge of business services for postal and telecommunications activities and internal processing (classification and selection or exchange). The postal routes above the municipal and county levels in the communications network should be singled out from the present enterprises, subsidiary companies for postal transportation should be set up and a national postal transportation company should be set up to handle postal transportation activities. The units of telecommunications lines above the municipal and county levels in the communications network should be singled out. Subsidiary companies for telecommunications transmission and a national company for telecommunications transmission should be set up to handle transmission of telecommunications. In addition, the presently scattered postal plants, telecommunications plants, post and telecommunications sciences research agencies and design and construction units should be organized separately according to the specialty as postal technology centers and telecommunications technology centers (similar to company organization) in charge of the research and development, production, installation design and construction of post and telecommunications facilities and equipment to provide whole systems of technical equipment for post and telecommunications business companies, postal transportation companies and telecommunications transmission companies.

The various types of companies above are all economically independent entities. Complete and strict economic accounting is done. They manage their own finances, make their own profits and bear their own losses. Each company possesses its own necessary production information and capital. Each must shoulder the economic responsibility of its own business activities and legal responsibility. The relationship among them is: the post and telecommunications business enterprises sign contracts with subsidiary telecommunications transmission companies and with subsidiary postal transportation companies based on the need of business activity. The post and telecommunications business companies should draft a development plan for business enterprises based on a forecast of the need for post and telecommunications services in the society. A plan for basic construction should be drawn up. Contracts should be signed with postal technology centers or telecommunications technology centers to purchase whole systems of technical equipment. The postal transportation companies and the telecommunications companies should separately draw up their own development plans according to the future demands for postal transportation and for telecommunications channels proposed by the post and telecommunications business companies. Plans for basic construction should also be drawn up and contracts should be signed with the postal technology centers and the telecommunications technology center to purchase whole systems of technical equipment. The postal technology centers and the telecommunications technology centers

should arrange for their own research and development and production activities according to the contracts signed with the post and telecommunications business companies, postal transportation companies and telecommunications transmission companies. The centers should also provide design installation and construction service according to the demands in the contracts. After the postal transportation companies, the telecommunications companies, the postal technology centers and the telecommunications technology centers have satisfied the internal demands of the post and telecommunications departments, then they can provide services for the society to seek maximum economic results. When the quantity and the quality of the products produced by the postal technology centers and telecommunications centers cannot satisfy the demands of the post and telecommunications business companies, postal transportation companies and telecommunications transmission companies, these companies can also turn to society to place purchasing orders.

After establishment of the above companies, most of the functions of the post and telecommunications ministry offices can be transferred to the companies. The post and telecommunications ministry offices can become administrative agencies, mainly responsible for drawing up regulations for postal and telecommunications activities and establishing policies and guidelines for the development of the postal and telecommunications enterprises. Various economic levers can be used to coordinate activities among the companies so that they will develop coordinately, proportionately and according to plan along with each department of the national economy in the direction of socialism. Between the companies and their subsidiary enterprises (or plants), face-to-face leadership should be exercised in principle. Consideration should be given to the fact that postal and telecommunications enterprises are widely scattered and are at many localities. Between the business companies and the business enterprises, postal and telecommunications inspectors can be assigned in administrative or regional zones (or postal and telecommunications inspection groups) in charge of inspection of the implementation of operational plans and guidelines of the business companies by the business enterprises to urge the business enterprises to urge the business enterprises to report their various statistics and accounting reports correctly and timely and to raise the quality of the reports. After the inspection agency has been established, most of the functions of the administrative agencies of post and telecommunications at the provincial level can be eliminated or delegated to the inspection agencies.

The above is a general description of the postal and telecommunications management system constructed in theory upon the characteristics of the economic activity of the postal and telecommunications departments. Compared to the present management system, it has the following characteristics:

1. It provides the management agencies greater economic authority and greater economic responsibility. It realizes unified management of personnel, finances and material. It is beneficial to the development of the initiative and creativity of operational management of the management agencies.

2. It reduces the levels of management, eliminates multiple leadership and is beneficial to elevating the efficiency of management work.

3. It realizes specialization of operational management. Because of specialization of operational management, the standard of management can be promoted to establish a solid foundation for scientific management.

4. The production and sale of postal and telecommunications facilities and equipment are contracted. Production and sales are directly interfaced. Intermediate links are eliminated and poor quality of products and accumulation and waste can be eliminated.

5. Research and development, production, installation and design and construction of postal and telecommunications facilities and equipment form a unified body. The cycle for the research and development, production and application of new technology can be shortened and this is also beneficial to raising the level of postal and telecommunications sciences and technology.

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ECONOMIC PLANNING

MARKET REGULATION IN MACHINE INDUSTRY URGED

Beijing JINGJI GUANGLI [ECONOMIC MANAGEMENT] in Chinese No 6, 15 Jun 80 pp 28-31, 35

[Article by Son Xiaoling [1327 2400 5328] of the Policy Research Laboratory of the First Ministry of Machine Building: "The Economy and Problems in Implementing Regulation by the Market in the Machine and Electrical Equipment Industries"]

[Text] Changes of Long Lasting Effect

In 1979, the machinery industry faced the following situation: State plans were greatly slashed. Unders returned the merchandise. Many enterprises were given insufficient tasks. But, because of the implementation of planned regulation and regulation by the market in combination, the right of the enterprises to sell their products on their own was expanded. Production and flow were enlivened to a definite degree. As a result, the total annual value of production increased 11 percent over the previous year. An increase in profit of 9 percent was realized and the best levels of the past were achieved. More importantly, the implementation of regulation by the market began to mobilize the inner power of the enterprises. Many "long standing, big and difficult problems" were being solved. A series of changes of long lasting effects occurred.

For many years, our nation's machinery industry and enterprises produced products planned and ordered by the higher authorities. They mainly served heavy industry and provided equipment for basic construction. After implementing market regulation, and under the pressure of competition, many enterprises took the initiative to understand the market, investigated the need, and actively expanded the scope of services. They did what was needed.

In the past, machinery and electrical products were distributed and rationed in a unified manner. "The emperor's daughter does not need to worry about not being able to get married." Poor quality products still left the plants. Therefore, the call for quality first was heard every day but at the month's end and the year's end, production value and production

quality were still emphasized first. After implementing regulation by the market good quality products were being snatched up by all. The tasks "were too much of a burden". Many enterprises truly realized that one must "raise quality to survive," and began to place quality in first place.

In the past, developing new products did not benefit the enterprises. It was not detrimental for the enterprises if they did not develop new products. After a product was developed, there would not be any worry that it would not have a market. After implementing market regulation, varieties of products that did not suit the demands were not being ordered. Without developing new products, there would not be any competitive capability. Many enterprises truly realized that one must "increase the varieties to seek development." The feeling of being comfortable with producing old products is changing.

In the past, technical service was "just talk, work arrangement was delayed, action was postponed." After implementing market regulation, many enterprises truly realized that without improving technical services they will lose customers and the market. Thus they took the initiative to develop maintenance, installation, testing, and assistance to train technical personnel and provide such services.

Although these changes have just begun, they are a clear trend. The point in common of these changes is also the most central. It is the development towards the direction of adapting to the needs of society. According to the demands of the basic economic rules of socialism, production must satisfy the ever growing material and cultural needs of the entire society to the greatest extent. This was talked about for many years in the past but was not realized. Now it is beginning to be done.

Many facts prove the policy of combining planned regulation and regulation by the market is entirely correct. The secretary of a party committee of a factory said it well: Implementation of regulation by the market gives the enterprises a lot of pressure. The main pressure comes from competition. Competition is the "pressure machine." It can awaken people from following the old routine, strive towards the better and compete for advancement. Competition is a school. It can encourage people to learn to do business according to economic rules and it can also shame those who eat and pass the day without doing anything. Of course, any kind of new reform will encounter some obstacles and bring about some new problems. The tasks we face are to eliminate the obstacles to our path of advancement, to study the new situation, to solve new problems so that this reform will progress healthily.

Eliminating Obstacles to the Path of Advancement

The present situation shows that regulation of machinery and electrical products by the market must be smoothly carried forward. Regional and departmental protectionism must be eliminated on the one hand and the problems with the source of raw materials must be solved on the other.

After implementing regulation by the market, some regions and departments exercised protectionist policies to make sure that enterprises of their own region and own departments would first be "satisfied." They established rules that all products which could be produced by their own region and own departments, whether the prices were high or low, whether the quality was superior or poor, they must be purchased and orders for products produced outside of their region and outside departments were prohibited. Investments were not made for the purchase of products produced in an outside region. The banks would not pay. Fuel oil ration tickets would not be issued for diesel engines purchased from an outside region. There were even regulations to punish those who order and purchase products from outside regions, etc.

This type of protectionist policy is a policy to protect backwardness. This is because if the technology is advanced, the products are good and the prices are low, there will not be any need for protection. To a nation, it is necessary over a definite period to exercise protectionist policies to develop the nation's industries. But within a nation, implementation of this type of protectionist policies can only bring about a passive effect. There are many shortcomings. They harm the nation and they harm themselves.

Under such protectionist policies, the enterprises that produce good quality products and low cost products do not have a full task to perform while some enterprises that produce poor quality products and high cost products continue to produce. For example, a certain plant in Xian has a history of over a decade producing air conditioners. Each unit costs 20,000 yuan. This year, it basically had no tasks. Another plant producing air conditioners is technologically inferior and the costs are higher than those of the certain plant in Xian by 3 to 4 times. Because it was "protected," it received many orders. The result of doing this is that it not only hinders adjustment of the national economy but also hinders the progress of those "protected" enterprises.

The ideological basis for protectionist policies is natural economic thought. A modern, large scale commercial economy requires breaking away from the regional and departmental limitations and organizing specialized production and cooperation and coordination within an even wider scope. The regional and departmental protectionist policies severe the inner connection among economic activities. The result is that only self sufficiency is promoted. Independent systems are created and large scale production becomes small scale production.

According to what we know, the reason some regions exercise protectionist policies is mainly due to the worry that some enterprises will be crushed in competition. What would be the actual situation?

Countless facts tell us: There are plenty of "gaps" between social needs and present production that are not satisfied. Implementation of regulation by the market will only stimulate the enterprises to investigate and

understand and find ways to satisfy this need but will never cause the enterprises to become idle. At the same time, each enterprise has a "specialty" and also "shortcomings." Competition will only stimulate everyone to develop his own "specialty" and replace other's shortcomings." Most of the enterprises will not be squeezed out of business. Therefore, the task of the leading agencies should be to join the enterprises to investigate and study the needs of the markets, analyze the "specialties" and "shortcomings" of each enterprise, guide the enterprises to strive towards beneficial endeavors and avoid harmful endeavors and to advance through competition, but should not spend energy in drawing up passive protectionist policies. Of course, there will still be individual enterprises which do not have their own specialty and will not exert efforts to understand market needs, therefore they cannot continue to exist. This kind of enterprises cannot be protected even if protectionist policies are exercised.

Whether the regulation by the markets of the machinery and electrical equipment industries can persist depends to a very large degree upon whether the problem of the supply of raw materials can be solved. At present, products arranged for production by the enterprises according to market needs to not have a routine source of raw materials and the supply cannot be assured. If this problem is not solved, regulation of the production of machinery and electrical products by the market will not survive. Any kind of production of machinery and electrical products needs steel, iron and such raw materials. Implementation of regulation of machinery and electrical products by the market requires a corresponding market for raw materials. This means enterprises producing raw materials are allowed to sell the surplus on their own under the prerequisite that the state's tasks are completed. Enterprises producing machinery and electrical products are allowed to directly order from enterprises producing raw materials. At present, a market for raw materials actually already exists and performs a beneficial function. The task that needs to be done at present is simply to recognize its legality.

There is one proposal to simply demarcate the scope of planned regulation and regulation by the market by product classification. The products are classified into three categories: First category of materials are distributed according to plan or rationed, including fuel and major raw materials. The second category of materials are handled and sold by materials enterprises, including some metallic products, chemical industrial products, and machinery and electrical products. Only the third category of materials are allowed to be regulated by the market and by market exchange.

This kind of classification artifically severes the inner connection among economic activities and is contrary to the objective patterns of economic activity. For example, the production of machinery and electrical products allowed to be sold by the enterprises themselves according to the above regulations also requires such major materials as steel and iron. If these raw materials are subjected to planned distribution, then, the source of materials for the enterprises to arrange for the production of machinery and electrical products according to market needs will be cut off.

It is possible to consider classification by tasks, not by product categories to demarcate the scope of planned distribution and sales by the enterprises themselves. The materials for satisfying the needs of the key tasks of the state can be supplied according to plan issued as state orders. The flow of products is realized by planned distribution. Materials needed for the completion of other tasks are to be purchased by the enterprises themselves from the market of productive materials. Products are sold on their own in the market. In this way, the same kind of raw material such as steel materials has two groups, one regulated by planning and the other regulated by the market. This coincides with the principle of combining planned regulation and regulation by the market.

Study New Situations and Solve New Problems

Implementation of regulation by the market has brought about some new problems. Studying and solving these problems in time are very important to assure a healthy development of regulation by the market.

First, How to Strengthen Guidance of Market Activity

Implementation of regulation by the market allows enterprises to shoulder responsibility by themselves. Many enterprises have competed against each other to produce those products that are in demand and short supply and that are needed in the market. The two provinces of Heilongjiang and Jilin have four or five factories making steel windows. Some provinces have three or four plants making electrical and water meters. In some cities, there are several dozen plants in one city making electric fans. Similar situations exist with the manufacturing of such products as record players, washing machines and refrigerators. At present, this kind of irrational and duplicate production and repeated distribution is still in a developing trend. If the situation is not planned and guided, there will be a day when everyone will have invested in such endeavors and a productive capability will have been formed that surpasses society's need, creating loss and waste.

Facing this situation some comrades have proposed that it might be better to turn back sooner and eliminate regulation by the market. Some other comrades believe that continued development will naturally eliminate those enterprises that are poorly managed in competition. It is not necessary to worry about it. They even ridiculed those comrades who advocated planning and guidance as "being unliberated in ideology" and as "old frame of mind."

We believe that regulation by the market should not be abolished because some problems have emerged but it must not be allowed to go its own way. The socialist market is a planned and guided market. Our regulation by the market is not outside of planned economy and is not an independent economic activity exclusive of planned economy. Therefore, market activity must not only be planned and guided but it is entirely possible to plan and guide it. Concretely speaking, measures in the following three aspects can be considered.

One is to issue reports on production and need. For example, what is the nationwide demand, how many plants are now producing them, what are their capacities, when and how much capacity can the state-appointed plants reach for such production, how is their quality and what are their costs? All of these should be made public so that the enterprises will know the overall situation. In this way, all enterprises that produce or are prepared to produce electrical and water meters can choose between the following two policies according to the overall situation and their own conditions. If they have the conditions to compete with the appointed plants, they can make larger investments in producing larger quantities. If they do not have the conditions to compete with appointed plants, they can make smaller investments or not make any investments as long as they can satisfy the present need. This kind of report on production and need has the character of planned guidance. We have not done this before and there will surely be some difficulties in implementation. But as a state organ, the responsibility cannot be shouldered by anyone else and it must be implemented without excuse.

The second is economic legislation. For example, what types of products must be produced in large quantities, what kind of quality standard must be reached before the products are allowed to be produced, what kinds of technological conditions must the enterprises possess (production facilities, inspection means, management level) before they are allowed to begin operation--all of these must be clearly stipulated. With this kind of legislation, there will be a guide for inspection and supervision by the industrial and commercial management departments and the enterprises will have a basis for making decisions.

The third is to allow all enterprises to learn the scientific methods of making market forecasts and operating decisions. Everyone should prevent blindness.

How to use guiding plans, economic legisla'ion and economic means to initiate market activity is a new topic · ·re facing after implementation of regulation by the market. Exploratic nd study must be carried out in practice to ceaselessly seek perfection.

Second, Opposing and Equal Competitive Conditions Must Be Created

Competition is one of the factors that make up the market mechanism. Implementation of regulation by the market and utilization of the market mechanism cannot avoid producing competition. Facts have already proven competition can push enterprises forward to improve operation and management. But under our nation's present conditions, competition among enterprises requires that the problem concerning opposing and equal competitive conditions be solved. For instance, to improve the distribution of industry, a large number of enterprises were moved from the coast to the third line and many of them were built in mountain regions far away from cities. Therefore, some expenses that plants in cities did not have had to be entered into the cost. For example, shops, hydraulic stations, schools, hospitals,

transformer stations and even roads and bridges all had to be built with investment by plants. These investments also were transferred as fixed assets of the enterprises. Depreciation must all be entered into cost. In addition, there is also the problem of an outflow of talent. The living conditions at third line plants are generally more difficult and "people want to leave." The loss of technical personnel is serious. This also places these enterprises at a disadvantage. These are all objectively unequal competitive conditions. The enterprises are helpless in solving them. It should be said these problems are not new problems brought about by regulation by the market, but the emergence of competition actually makes these problems more realistic and more outstanding. Solving these problems has become an extremely urgent task.

Of course, absolutely equal conditions of competition are actually not possible. But creating opposite but equal competitive conditions should be done and it is possible. The following suggestions indicate how this problem can be solved:

The present unified tax system should be changed. Different taxes should be levied on differentiated income created by objective conditions. If the conditions are vastly different and when a varied tax cannot solve the problem, a "fixed fee" can be levied on enterprises with superior conditions.

Implementation of the above method needs a long time for preparation. As a transitional measure, certain third line plants should be taken care of when arranging the task of planned regulation.

All schools, hospitals, shops, roads and bridges should be invested and built by local governments from now on. Those which have already been invested and built by plants should be placed under the management of the city government. The property being used should be separated from the fixed capital assets of enterprises.

Measures to stabilize the work force should be implemented. For example, when plants far away from cities hire staff and workers, they should be allowed to give priority to dependents of their own workers. Because if they do not find employment at their own plant, they have no other employment opportunities. The intellectual youths of these plants should be exempt from being sent to the mountain regions or down to the villages because these plants are in the mountain regions. After this problem has been solved, it will exert a great effect upon the staff and workers of the third line plants to remain at the third line regions.

Third, How To Solve the Problem of Technological Blockade

At some enterprises, the problem of technological blockade has already occurred because they wanted to retain their own competitive position. There was one electrical machinery plant that made a breakthrough in the technology of manufacturing brush-less electrical motors. When representatives from other plants came to visit, they were enthusiastically welcomed

but all information regarding technology was kept secret. There have already been similar occurrences many times.

There are two different views regarding this problem. Some people believe it is not right for socialist enterprises to engage in technological blockade and blame competition. Some other people believe the past method of allowing technological exchange was to encourage "sitting back and enjoying others' achievements." This is a blow to developing new technology. There was a plant that produced high pressure switches. It spent a lot of effort to successfully develop two kinds of high pressure switches that use less oil. After one phone call from the higher authorities, the plans were given to two or three brother plants and when slight improvements were made they received praise. In this way, who will have any more enthusiasm in developing new products? Isn't it less work to sit and wait for ready made things?

We believe technological blockade is one of the big shortcomings that hinders the development of productive forces in the capitalist production system. We must not do the same no matter what. But the unrewarded technological exchange of the past also does not help technological development, and it should be reformed. Is it possible to consider using technological transfer that will be rewarded to replace technological exchange that is not rewarded? There are mainly two ways: one is to transfer technological information of new products and new technology developed by one enterprise to other enterprises. The two parties must first negotiate and sign a contract and willingly form a deal. Except for special situations, the higher authorities should not issue strict orders. The second way is to allow the two parties to negotiate according to the actual situation based on the state's policies regardless of what prices are involved and the higher authorities should not interfere.

The true nature of this method is the actual utilization of price patterns in the exchange of technology to encourage competition in technology. In this way, the habit of "sitting and waiting for something to be done" can be avoided and technological exchange can be stimulated, creating a situation where everybody competes against each other and everyone competes for advancement.

Fourth, How To Treat The Direction of Products of Enterprises

In the past, each plant produced products that were specified by the higher authorities. After implementation of regulation by the market, enterprises were required to actively develop new varieties of products needed by the market. Now, two situations have emerged which are worth noting. One is overly limiting oneself to the direction of originally specified products and reluctance to take even one adventurous step. This way cannot adapt to the needs of the market at all and cannot adapt to the needs of competition. The second is to do whatever comes along and being absolutely non-selective. Some oxygen producing plants are producing electric fans, lathe factories are producing motorcycles, and specialized casting and forging

plants are producing furniture, etc. If this situation continues for a long time, the elevation of the technological levels of production of the enterprise will be seriously affected and even specialties in technology will be lost. This is very detrimental to long term development.

Some enterprises have handled it better and produced a variety of products while "keeping their specialties alive and producing a lot of varieties of products without confusion." For example, the Xian Motion Picture Machinery Plant produces developing equipment for motion picture film. Last year it did not have a full production schedule. The plant arranged for the production of medical thermostats according to market need. Viewing from the surface, one is a product of the instruments industry and the other is a product of the medical machinery industry. Viewed from the category of products, one belongs to the machinery category and the other belongs to the medical category. They seem to be entirely different and exclusive. But in fact, the medical thermostat is actually the cooling equipment, heating equipment and control system of the developing equipment for motion picture film placed in a box. From the point of view of manufacturing technology, they are entirely interchangeable. In this way, the scope of service is expanded, the need of the society is satisfied, the variety of products is increased, and the problem of not having a full production schedule is solved.

The varieties of products that "keep the specialties alive and that are plenty but not confused" mentioned here do not use the direction of the products originally assigned to the enterprise for production as standard but use the principle of developing specialized technology of the enterprises as standard. In general, the needs of society are multifaceted. It should be recognized that the direction for the production of products assigned to the enterprises by the higher authorities does not suit the needs of society completely. It should be regarded as entirely normal for enterprises to produce products not in the direction of products assigned to them based on the needs of society and their own technological specialty. This is the versatility brought about by regulation by the market.

9296
CSO: 4006

ENERGY CONSERVATION, MANAGEMENT IN HANGZHOU URGED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 5, 15 May 80 pp 18-19

[Article by the Hangzhou Municipal Industrial Briefing Office "How We Grasped the Distribution and Conservation of Energy"]

[Text] For more than 3 years after crushing the "gang of four," industrial production in Hangzhou city has revived and developed rapidly. The city's total value of industrial production in 1979 was nearly onefold that of 1976 and an increase of 60 percent over the highest record of 1973 in the past was realized. Such rapid development in industrial production has many causes. In economic work, it is inseparable from the relatively conscientious grasping of distribution and conservation of energy.

Energy is the "food" and "blood" of industry. Without energy or with insufficient energy, production activities will be limited. The store of energy of our nation is rich and the development of energy production is also very rapid. But because of interference and sabotage by Lin Biao and the "gang of four," the proportions of the various sectors in the national economy are seriously imbalanced. The development of the fuel and power industries could not keep up with the needs of the development of the processing industry. In particular, the fuel for our Hangzhou area is completely dependent upon supplies from other places. With poor management, the conflicts in energy supply and demand is even more outstanding. The ration of charcoal is deficient every year. Yet the supply of electricity and oil has to be cut. How can these difficulties be overcome so that energy supply can be rationed at a low level and so that industry can increase production at a rapid speed? We believe that to solve the energy problem involves the two aspects of opening up new energy sources and conservation. Opening up new energy sources is urgently needed but viewing the present situation in the Hangzhou area, resources are lacking. Therefore, the emphasis of work should be placed on energy conservation so as to use conservation to make up for the deficiency in energy sources and to use conservation to seek increased production.

(1) Propaganda and education on conservation of energy should be launched on a wide scale to mobilize the masses for conserving energy in a big way.

Since the second half of 1979, we have held city-wide and professional mobilization meetings, on-site meetings and meetings to exchange experience many times to conscientiously implement the directives and spirit of the work in conservation of energy of the Party Central Committee and the provincial and city committees. The situation, the problem, the task and measures were all explained to the broad masses of cadres, staff and workers. The important strategic significance of energy conservation to the realization of the four modernizations was repeatedly explained clearly to them, and the situation that this city has a high level of consumption, a high level of waste, and a low level of utilization of heat energy was also explained. The direction of struggle, the goal and the method to conserve energy were proposed and everyone was asked to grasp energy conservation tightly in the movement to increase production and conserve. Each drop must be accounted for in detail, each corner must be explored to dig for potential. The "three ones" activity must be popularly launched to conserve one ounce of coal, one kilowatt of electricity, one drop of oil. Many plants and enterprises also use statistical charts and cartoons and such methods to publicize the daily production situation, consumption of fuel, use of power and the typical progressive and backward cases in meeting halls, mess halls, and shops. Illustrative education is conducted so that the broad masses of cadres and staff and workers and everyone else will be concerned about this great task of energy conservation and thus everyone's understanding can be elevated to overcome the kind of thought that "coal, oil, and electricity must be used every day and a little waste does not matter" so that energy conservation work will become a self conscious activity of the masses.

(2) Truly strengthen energy management

The emphasis is to grasp the "one inspection and four quotas" in electric power and the "double quotas" in fuel. The entire city already has 827 production units and 227 non-productive units have implemented supply of electricity according to certificates, setting a quota for the amount of electricity, setting a quota for load, setting quota for unit consumption, and setting quota for time of use of electricity. Regarding fuel, there are 932 production units that use coal and oil. In accordance with the spirit of concerned documents of the State Council and the province, the 111 large consumers of over 100 tons of coal and over 50 tons of oil were regulated by establishing quota management and supply quotas in 1978. In 1979, the entire city's productive units that consume coal and oil were regulated by establishing quota management and supply quotas according to the value of production, products, investment of raw materials and the facilities for burning coal and oil. Consumption of fuel according to quota in the entire city has been implemented for each furnace, kiln and stove of productive units that burn coal. The supply quotas already constitute 74 percent of the total amount of supply. At the same time, management of coal fields has been truly strengthened, the system has been made sound, regulations have been drawn up, each plant and enterprise is asked to firmly establish complete original records. The data must be accurate and reliable. Incoming coal to the plant must be received,

classified and piled up. Coal is rationed according to quotas, the supply is weighed before use, conservation efforts are rewarded and wastefulness is punished. The past situation of "confusion about coal" and "confusion about oil" when incoming coal and oil are not received properly, not weighed before burning and not recorded before use has been changed. Simultaneously with the strengthening of energy management, we also tightly grasped training of furnace operators. Under the coordinate efforts of the unions, labor departments and scientific coordination councils, teams for the exchange of boiler techniques and training classes in furnace operations and techniques were organized. Furnace operators were given on-the-job training in rotation. In 1979, 12 classes were given. A total of 754 furnace operators were trained, constituting 30 percent of the total number of furnace operators of the entire city. Through training, the technical and theoretical level of the furnace operators was elevated. This created the condition for saving coal before entering the furnace.

(3) Strengthening deployment, selective supply, overall adjustment, care for short supply

Those enterprises that consume a low level of energy, that have good management, that produce products that suit sales are declared as superior units for selective supply and are given priority in the distribution of energy. The supply to those enterprises that do not have sufficient duties and consume a high level of energy is appropriately tightened. Enterprises that burn oil irrationally or whose furnaces should be rebuilt for burning coal should be given a time limit to rebuild their furnaces to burn coal. For 3 years, the entire city's over 100 units that burn oil were reduced to over 50 units. The annual fuel oil supply decreased by about 40 percent. To hasten the speed of development of light industries and textile industries, the "three priorities" have been given as much as possible to the light and textile industries to satisfy the need for energy. The three are priority for arrangement, priority for supply and priority for quality. In 1979, the supply of charcoal to the whole city's light and textile industries increased 37 percent from 1978, greatly surpassing the growth rate in the supply of charcoal for the entire city.

(4) Using fuel of low thermal value as a measure that suits local circumstances, actively popularizing new techniques of conservation of electricity

The Hangzhou area does not produce oil and does not produce coal but there is a definite amount of bone coal resources in the neighboring counties. Heat energy can also be obtained by burning bone coal in evaporation furnaces. Because burning of bone coal in the cities easily pollutes the environment and the transportation fees are high, we have mainly assigned its use to those producing counties. Appropriate arrangements can be made under possible conditions to use it in cities and suburbs. In 1979, concerned enterprises in the city and the suburb used a total of 30,000 tons of bone coal and gangue. At the same time, great efforts were exerted to retrieve and utilize coal cinder and chimney soot. Beginning on January 1,

1979, 81 major plants of the city implemented the practice of collecting and handing over coal cinder in exchange for their supply of coal. In the entire year, over 200,000 tons of coal cinder and chimney soot were retrieved and utilized. In conserving electricity, there are at present over 160 plants and enterprises that have popularized the use of the new techniques of infrared heating and drying. Installed capacity is over 11,000 kilowatts, 65 percent of the total capacity that can be used widely. Over 3,400 textile machines of the cotton textile industry have utilized belt plates and spring mounts that conserve electricity, or over 39 percent of the total number of mahines.

(5) Strengthening the leadership in energy work

First, energy work must be assured by organization. The city, bureaus and plants all have special personnel or special agencies to manage the planned distribution and conservation of power and fuel. Then, while planning for production in arranging work, energy work must be conscientiously arranged. The movement to increase production and conserve must be launched, placing emphasis in energy conservation. At the same time, inspection, criticism and comparison must be tightly grasped. Small scale criticism must be conducted semiannually, and summary, inspection, criticism and comparison must be conducted in combination with production at the end of the year. Implementation of "double quotas" for fuel and "one inspection and four quotas" for electricity must be inspected to stimulate continued and deeper development of conservation activities.

Through this series of work, the entire city's conservation of energy achieved some results. In 1979 alone, the entire city conserved 70 million kilowatts of electricity and over 47,000 tons of coal. Deficiencies were appropriately supplemented and the need of the development in production was basically assured. Fuel supply increased 7 percent while industrial production increased by more than 15 percent.

For the 3 years, we have done some work in managing the distribution and conservation of energy, but many problems still exist. During the production process of many of the city's boilers, heating furnaces and kilns produce surplus heat and waste gas which at present are basically not utilized or scarcely utilized. Energy conversion equipment is mostly old and outdated. Consumption is high, efficiency is low and they urgently need to be rebuilt. We are determined to take advantage of the great situation of the present time to continue to implement the spirit of the series of directives concerned with energy conservation issued by the Party Central Committee and the province encourage the masses to engage in energy conservation in a big way, strengthen energy management, realize more achievements in this era of great achievements, pioneer and endure hardships and struggle ceaselessly for the bright future of the realization of the four modernizations.

9296
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IMPROVEMENTS AT NINGBO SPEED UP CARGO TRANSPORT

Hangzhou ZHEJIANG RIBAO in Chinese 7 Jul 80 p 1

[Article by Zou Qi [6760 3825], Ma Qinfa [7456 0530 3127] and Liu Xin [0491 2500]: "Ningbo Improves Transportation Network"]

[Text] Gradually, the city of Ningbo tried to establish contracts with various transportation units of the railway, highway, harbor, and navigation systems and owners of cargo to be transported. For this the city has received the praise of superior organizations as well as that of material supply units.

Ningbo is a major pivot of transportation in eastern Zhejiang in land and water transfer, and is also an important harbor of foreign trade in the province. Due to the fact that for a long time the railways, harbors, highways, and river navigation had not been properly planned and connected, obstructions at the railroad station and the harbor periodically occurred. Merchandise arrivals at the railroad station were not evenly planned, and responsibilities at the harbor to take over the cargo from the railroad station were not defined. Ships could only stop the loading process and wait in the harbor. The city had, therefore, become the big problem in the province's transportation system. The city's industrial and transportation offices negotiated with the city's joint transportation command to extend the contract transport method among the various transportation links of the city. Contracts were negotiated between the Ningbo North Station of the Branch Bureau of Hangzhou Railway and Ningbo Truck Brigade of the Ningbo Automobile Branch Company and Fenghua District Industries Supply and Sale Company, between the highways, the harbors, and the shipping units, between the Bureau of Harbor Affairs, the Ningbo Automobile Branch Company, and the Qin County Joint Group and owner-units of merchandise, including Ningbo Steel Iron Plant etc and transportation and transfer contracts were finally signed. Consequently, 80 percent of the input and output cargo of the harbors and railways have transfer and conveying plans for orderly transportation.

Contract transport among the various transportation units and the owners of the cargo is a good method and coincides with the economic regularity.

First of all, there will be a balance at the connections. Those in charge at the railway, the harbor, and the shipping units will have an idea about how much cargo is coming and going every month and to what direction, so that mutual cooperation is strengthened. Second, negotiation and contracting make it possible to achieve division of labor and requirements of speed, economy, and transportation quality may be clearly stipulated. In this manner, the sense of responsibility of all the units concerned may be heightened.

In the past, when a batch of merchandise was to be transported from ships to the rail, several tens of days to several months were needed. The cargo stayed at the harbor for days and days. This condition has now been basically eliminated. In 1976, an average of 8.7 days was needed to make a transfer. Now, the period has been reduced to about 4 days (at the railway station it is only 3.7 days and within the city it is only 1.66 days). Third, the quality of the transportation service is greatly improved. This is a great convenience for the owners and material supply and sale units. Fourth, contract transport can also promote the development of truck transportation. For example, after a contract agreement is signed between the railroad and the municipal automobile transport companies, the railroad company guarantees the truck company to have full truckloads, while the municipal truck company guarantees the railroad to have more cargo and to have the cargo coming faster. This is a method of mutual promotion. Since its adoption, the transportation plans of the municipal truck transportation company have been satisfactorily completed month after month.

6168
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FOREIGN TRADE

LOCALLY MANAGED SHANDONG TRADE TRANSPORT URGED

Beijing RENMIN RIBAO in Chinese 8 Jul 80 p 2

> [Text] Editor's Note: The condition of transportation cannot yet satisfy the needs of export trade. It has been a problem without a solution for a long time. The successful management of the foreign trade vessel, Luhai No 65, locally by Shandong Province to sail directly to Hong Kong explains that the situation of monopoly in transportation management must be broken to permit local management or joint local management along with the Ministry of Transportation. If many shipping companies are permitted to compete with one another to compare their quality of service and business management, some contradictions existing in today's transportation system may possibly be reasonably resolved, at least to a certain extent.

Correspondent Zhuang Kaixun [8369 0418 8113] reports: The locally managed foreign trade vessel, Luhai No 65 of Shandong Province, has completed four trips since its maiden voyage to Hong Kong on 3 February. The vessel sails directly to Hong Kong every 20 days. The cargo has arrived on time and the unloading process has been swift. It is well received by the merchants of Hong Kong and Macao. Many merchants wrote letters requesting that their cargo be shipped on that vessel.

Luhai No 65 is a 3-level freight of a capacity of 8,900 tons. It has four freeze cabins and two chilled cabins; therefore, it is suitable for shipping such native products of Shandong as vegetables, fruits, frozen chickens, rabbit meat, frozen fish, and frozen shrimp, Qingdao beer, jelly-noodles, etc as well as such staples as textiles, handicraft and industrial art products, leather wares. Luhai No 65 sails directly to Hong Kong and so far has carried more than 23,000 tons of foreign trade cargoes. This locally managed vessel has made it possible for the frozen and fresh merchandise of Shandong as well as its agricultural by-products to reach the markets of Hong Kong and Macao on time. Furthermore, the

pressure on the harbor, the railway station, the warehouses, and the storage yards in terms of rail transportation is thus reduced and the ocean transport industry is thus developed.

Each year, Shandong Province supplies about 350,000 tons of merchandise to Hong Kong and Macao to be transferred there. The Jiaoji Line [the railway between Qingdao and Jinan] is in a state of saturation. Besides, rail transport is not economical and it has been for some time that many cargoes have converted to sea transport. Due to the fact that China's overseas cargo transportation was the monopoly of the China Overseas Transport Company of the Ministry of Transportation, shipment was very slow and when ships arrived at the harbor, unloading was so much delayed that sale and transfer were seriously affected. The merchants of Hong Kong and Macao objected to the situation violently.

Based upon a permit secured from the State Council concerning local solution to transportation problems, Shandong Province was approved by the Ministry of Transportation on 23 November 1979 to dispatch Luhai No 65 directly to Hong Kong. Comrades of Shandong Province proposed that with the reform of the foreign trade management system, the transportation system should also be changed. The authority of transportation management in China is overly concentrated at present. It has become a virtual monopoly. There is no choice available, especially regarding the "guaranteed transportation system." In matters of harbor processing, some are preferred over others. The situation is very irregular. Consequently, the cargo that has arrived first is shipped later than the cargo that has arrived later, causing the customers to be very dissatisfied. The success of Luhai No 65 explains the necessity of local management of overseas transport of merchandise. They [comrades of Shandong] suggested that Luhai No 65 would serve as a foundation. Ships will either be rented or bought later to organize a local freight of ships to open a scheduled short distance overseas shipping line to Hong Kong, etc, to permit local areas and related enterprises to handle the management of outgoing freight so as to break the monopolized situation.

6168
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TRANSPORTATION

GREAT STRIDES MADE IN BUILDING ROADS IN MOUNTAIN REGIONS

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 5, 15 May 80 pp 28-30

[Article by Wang Yi [3769 3015] of the Highway Bureau of the Ministry of Communications

[Text] Our nation is a mountainous nation. The area of mountainous regions constitutes 60 percent of the total area of the nation. Every province and autonomous region has mountainous regions. Therefore, development of mountainous areas occupies an important position in the development of the entire nation.

For several thousand years, our nation's mountainous regions have been closed to traffic. The roads are treacherous and prohibiting and the regions are poor and backward. After Liberation, the party led the people to develop and build up the mountain regions and great achievements have been obtained. But, highway construction in the mountainous regions could not keep up with the situation, the mountainous regions still remained very backward compared to the plains. The great mountainous regions of the Guangxi Zhuang Autonomous Region have a population of 600,000 and 800,000 domesticated animals. Because of inconvenient accessibility of the regions, their drinking water is often in short supply. The mountainous region of Enshi in Hubei has no road and in winter there are often several months when edible salt could not be sold. The farm machinery and chemical fertilizers rationed by the state to the mountain region cannot be shipped into the region. For example, the Shuiyu Brigade of the Zhangjiazhuang Commune of Linshou County in Hebei Province purchased a tractor in 1975. Because there were no roads, the tractor could not be driven to its destination and it was placed in storage elsewhere for a long time. The Liumuyan Commune of Pingshan County in Hebei Province had to ship 650,000 jin of material in and out each year before a highway was built. The material had to be shipped by men and animals of Mengjiazhuang 50 li away, occupying 15,000 man-days; the higher authorities rationed chemical fertilizers for them. Shipping 1 ton requires 50 work days. Because the mountain paths are treacherous, supplementary work, supplementary food, supplementary pay given by the commune and the brigade to the people were

simply given up by the people. They were not even willing to go and pick them up. The Yuanyang Commune of Wushan County in Sichuan Province dispatched 120 strong workers to build a hydrcelectric station. They spent 9 days disassembling the machinery into parts and carried the parts on their backs one by one. Farm sideline products, minerals and economic crops of the mountainous regions could not be shipped out because of inconvenience. For example, the Dauashan region of Shaanxi Province once purchased 5,000 jin of eggs. Because they could not be shipped out, they all rotted. The Luoshan Commune of Tonglu County in Zhejiang Province let over 200,000 tons of raw material for manufacturing paper rot in the mountains each year before a highway was built. In carrying one cubic [meter] of logs by human laborers to the market, the production team can only receive an income of 6 yuan. Because production in the mountainous regions is limited by conditions, people's livelihood is still very poor. For example, the average food and grain ration per person of the Gaoling Brigade of Baying Commune of Ruijin County in Jiangxi Province is 300 jin; average personal income is only 35 yuan. The number of families with deficit expenditures constitutes 80 percent of all the families of the brigade. Poverty has caused the people of the mountainous regions to leave. Before the Yuquanzhuang Brigade of Xinkai Commune of Lingshou County, Hebei Province had a road,female youths left the mountains to get married while males remained single. The entire village had 53 families and 21 families did not have any females, and thus the males left too. Mountain people are very dissatisfied with the backwardness left them for several thousand years. Especially today when the party's work emphasis has shifted to modernized socialist construction, the demand for changing the backwardness of the mountainous regions is stronger and the call for building highways is louder.

For the Mountain Regions To Become Rich, Roads Must First Be Built

People of the mountainous regions deeply realize that their poverty is due to a lack of roads. If there are roads, the several thousand years of backwardness can be changed preliminarily within several years. Let's take the Tuanbokou Commune of Lingshou County of Hebei Province as an example. The commune started to build roads in 1977. Two years later, the industrial raw materials (vermiculite) shipped out earned an income of 330,000 yuan. The farm sidline products (mainly fruits) shipped out earned an income of 420,000 yuan. Food production also increased greatly. In that year, over 100 tractors, diesel engines and pumps were purchased. Eight hydroelectric stations were built. The standard of living of commune members rose from an average of 39 yuan per person per year to 95 yuan. Work point value rose from 34 cents to 67 cents. Fifty percent of the families have sewing machines and bicycles. Fifty percent of the families have savings. Such a great change was realized in only one year. The same occurred in one county. For example, the Pingshan County of Hebei Province began in 1976 and struggled for 3 years to build kilometers of highways, greatly liberating the productive forces. The entire county's food grain production was raised from the per mu yield of 419 jin in 1976 to 850 jin in 1979. Dried and fresh fruits of over 10 million jin were produced each

year and precious herbs of over 600,000 jin were shipped out each year. Farm machinery and chemical fertilizers were shipped to the mountains en masse. The entire county's 52 communes all engaged in commune and brigade enterprises. Industries operated by the communes had a total income and a total farm machinery power of 9,970,000 yuan and 74,000 horsepower in 1976 respectively. These increased to 14,850,000 yuan and 104,000 horsepower in 1979. The entire county's commerce, post and telecommunications, medical treatment and public health also prospered and developed, greatly hastening the progress of modernization of the mountain region.

Mountain regions can realize such rapid and great change. This indicates that material resources of unclaimed mountainous regions are rich. Resources of the mountain regions (minerals, forestry production, farm sideline products) are mostly needed by the cities and industries, like the industrial products of the cities that are urgently needed by the mountainous regions. The potential for material exchange between them is great. But if there are no roads, no matter how good the resources of the mountainous regions are and no matter how good the industrial products are, it is very difficult to utilize them. When there are roads, the mountainous regions will suddenly change from dead treasures to live treasures and dead riches change into live riches. The cities and the villages are connected and promote each other. This also forcefully shows building roads in mountainous regions is a prerequisite to exploiting and developing the economy of mountainous regions. Without this prerequisite, nothing can be said.

Relying Upon the Masses To Build Roads

Our nation is huge in area but the foundation is weak. The number of roads that need to be built in the mountainous regions is large. And the time requirement is urgent. Facing this situation, how can road construction be done well to adapt to the needs of construction of the mountainous regions? Practice of the past 30 years proves that the greater, faster, better and more economical way is to motivate the masses to build roads with their own hands, to suit measures to local circumstances and to utilize local materials to build roads in the mountainous regions. The masses of the mountainous regions said it well; roads of the communes and brigades in the mountainous regions are for serving production and life of the communes and brigades in the mountainous regions. One should build the roads one uses. One must not completely depend upon the state. If one waits for the state to invest, a long time will be needed. Building roads with one's own efforts requires only 2 or 3 years or even in only a year and a half or so the road will be built. Of course, poor communes and poor brigades that have a heavy burden of building roads because of the scarcity of people and because they are located deep in the mountains and far away in remote areas should be given assistance by the state in materials and capital. Lingshou County of Hebei Province located in the Taihangshan region is such a county. Since 1975, 52 county and commune roads have been built connecting the county's 28 communes and over 90 percent of the brigades. Road building consumed a total of 2,470,000 cubic meters of soil and gravel and over

2 million workers were employed, over 400 tons of dynamite, nearly 100 tons of drill rods and over 300 squares of logs were used. The entire investment was over 2.5 million yuan. Besides the 760,000 yuan of state subsidies, the remaining 1,740,000 yuan was entirely raised by the communes and brigades. The masses were mobilized to go to the mountains to mine, dig for herbs, cut straw for weaving, and develop industrial sideline production. The over 400 tons of dynamite and 12,000 hand trucks and baskets for moving earth were all made by themselves. Road building technology was learned during the course of road building. During these few years, they trained the masses and 40 key surveying and design and construction technicians. The No 8 production team of the Wanshiyuan Brigade of the Yanchuan Commune of the county has 30 families, 130 persons living half way up the mountain of dull white rocks. Going up the mountain and returning involved travelling over 10 li. There was only one small mountain path surrounding the mountain and it was very difficult to travel. Since 1976, the masses have been mobilized. They carried their own tools, homemade dynamite, raised their own funds, prepared their own materials, applied traditional home spun methods and built roads in cliffs and precipitous walls. One section was built every year without stopping. After 4 years of hardship, over 17,000 workers were employed and over 15,000 yuan of capital funds raised by themselves were spent. Not even one cent was asked for from the state. Five Chinese li of a simple road have now been built. The remaining 5 li of roads can be travelled by push carts.

Building bridges and roads has been a superior tradition of our nation's laboring people for several thousand years. After Liberation, the nation implemented the policies that the people should work and the state should provide assistance and the people should work for public projects persistently to construct local roads. This showed the superiority of the socialist system and coincides with the benefits of the state, the collective and the individual. It is the correct path towards hastening construction of roads in mountainous regions. Lingshou County is a county in the mountainous region where 88 percent of its area is mountainous land. Within a few years, roads have connected all of the communes and most of the brigades throughout the county. This is because the mass line and the policy that the people should work and the state provides assistance and that the people should work for public projects persistently were implemented thoroughly.

Overall Planning and Comprehensive Management

Construction of roads in mountainous regions serves the exploitation and development of the economy of the mountainous region. It has a lot of points of work, a wide scope, a long work front, difficult engineering tasks the complex situations and such characteristics. Highway construction must be included in the overall plan for the development of the mountainous regions according to the principle of comprehensive management of the mountains, water, fields, forests and roads. The relationship between road building and all other aspects must be correctly handled. Otherwise, losses will be incurred and the support of the masses will not be gained.

Road building involves planning for a long period and is closely related to the benefits of the masses. Drawing up the plans must involve profound investigation and study and reasonable planning. The Quinglong County of Hebei Province suited measures to the local circumstances by building waterways along borders and roads on mountains, dams and fields so that the forests, the fields, the roads and dams were all within a system. When implementing the plans, each profession cooperated closely with the other, and highway construction developed very quickly. Pingshan County insisted that one road should have multiple uses in its road construction and ditches and roads should be combined. Engineering construction for agriculture, water conservancy and transportation could be comprehensively utilized. This conserved manpower and materials and also hastened progress of the construction project. For example, a bridge built as a dual purpose aquatic and road bridge can serve as a reverse siphon and a road bridge. Water can be channelled under the bridge and vehicles can cross over the bridge. To implement the plans, emphasis was placed on the principles of good linearity, less space and small scale construction in surveying to select and fix the lines for roads. Construction is arranged according to the principles of doing the easy tasks first and the difficult tasks last, building roads before building bridges, and opening the roads to traffic and then raising the roads.

Drawing up and implementing plans are important tasks that affect the overall buildup of the mountainous regions. The key to whether they are done well or not is the unified leadership of the party and administration of the mountain regions at each level. A specialized staff must be set up to grasp the tasks to the end.

The Style of Communism Must Be Developed and the Economic Policy of the Party Must Be Implemented

One of the major difficulties of road construction in mountain regions is the scarsity of labor, the roads are long, the construction is difficult. Relying on the efforts of one commune and one brigade often requires several years for completion. This is very unfavorable to production and construction of the mountain regions. Therefore, to complete construction of roads early so that the communes and brigades can benefit early, it is very necessary to develop the style of Communism among brother communes and brigades and mutual cooperation. But, in the past, whenever mention was made of style, the economic policy was neglected. Equalitarianism and indiscriminate transfer of resources occurred in labor force, material and capital. The burden of the communes and brigades that did not benefit was increased. The enthusiasm of the masses was hindered. They were reluctant to exert efforts and work. The result was a delay in construction and slow progress. The Mengjiazhuang Commune of Pingshan County of Hebei Province eliminated the interference of the extreme leftist line of the "gang of four," implemented a method of "work points in exchange for work points, generally equal, and repaying help on a yearly basis." The relationship between the brigades that benefited and the brigades that did not benefit was properly handled. In order that every brigade was connected by roads, they insisted on unified planning and building roads each year. This year

you help me and the next year I help you. Brigades that benefited provided food, money and labor while brigades that did not benefit provided labor only. Among the brigades that benefited, the burden of providing labor, materials and funds was reasonably arranged according to how much a brigade benefited. In this way, the enthusiasm of the masses was mobilized. Before 1977, they mobilized the labor force of four brigades to help seven other brigades build roads, bridges and the roads were opened to traffic. In 1978, these seven brigades were organized to help the four brigades to work during a winter and spring. Three hundred thousand workers were employed and every brigade of the entire commune was linked by roads which opened to traffic. This method is also suitable for large scale construction involving several communes. The Pingshan County Committee mobilized the forces of the entire county to complete building the "Bopo channel," benefiting twelve communes. In 1979, 2,500 laborers were employed from these 12 communes to help the 14 communes that did not benefit to build 46 Chinese li of roads for the county communes. This shows mutual help and using work in exchange for work. This method hastened the speed of construction. The masses were happy and the leadership was satisfied.

Insist on Equal Emphasis on Building and Maintenance to Assure Passable Roads

It is a great achievement for mountain regions to have roads where previously there were none. But having roads does not mean they are always passable. Washing by rain, turning up of mud, erosion and such natural damage will often cause damage by water, collapse of the road surface and potholes, which hinder traffic. Therefore road maintenance is very important. The masses said it well: "Building roads without maintaining them is equal to wasted efforts in building the road." The tendency to build heavily but maintaining the roads slightly must be overcome. The principle of equal emphasis on building and maintenance must be firmly upheld so that when aroad is built, it is maintained, trees are planted along it and it is firmed up and used to assure that it is passable. People in the mountainous regions have suffered enough from "having to climb mountains after leaving their houses and having to transport goods on their backs and shoulders." They will take extra care of the roads of happiness they built themselves. They can build and can maintain the roads. Li County of Gansu Province implemented the system of "having the people work on public projects persistently." A road maintenance team of the masses consisting of 310 commune members was organized as the backbone for maintenance of ten mountain roads of 360 kilometers. Maintenance was contracted section by section and the road was kept in order throughout the year, realizing "building, maintaining and using the roads all by themselves." Lingshou County of Hebei Province has 19 local roads. Because they were maintained throughout the year, these original simple roads were elevated to fourth class roads and the condition of the roads were greatly improved.

Building roads in mountainous regions in our nation has already brought great achievements and rich experience. But at present, there are still two counties and towns of nearly 5,000 communes and over 200,000 brigades

throughout the nation which are not connected by roads. They are still accessable only by arduous paths, ladders and stone steps. These are backward when compared to our nation's present general situation, let alone the goal of modernization. Therefore, building of roads in mountainous regions must be included in the schedule of important tasks. The already acquired experience must be utilized to realize the goal that every commune should be connected by roads by the year 1985 as proposed in the "decision concerning several problems in the hastening of agricultural development issued by the Chinese Communist Party Central Committee." Efforts should also be made to build roads to connect 80 percent of the production brigades and thus hasten the progress of construction for the modernization of the mountainous regions.

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CHINA REPORT

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TURNING ECONOMIC POTENTIALITIES INTO ACTUALITIES DISCUSSED

Beijing RENMIN RIBAO in Chinese 8 Aug 80 p 5

[Article by Sun Shanqing [1327 1424 3237]: "On How To Make the Most of Economic Superiority"]

[Text] In order to better implement programs for getting the most out of economic superiority, it is first necessary to clarify the concept of economic superiority. In terms of the conditions for its formation, so-called economic superiority may be divided into two types. One type is determined by natural conditions, and is manifested in economic advantages or strong points, as for example, the soil and climatic conditions necessary for certain kinds of agricultural production, certain geographical conditions adventageous for industrial production, various natural resources, etc. The other type is determined by historical conditions, manifested in economic advantages or strong points such as historically formed advanced industrial areas, good technological foundation, fairly numerous engineers and technicians and other technically trained workers, good conditions for the conduct of social production, good transportation conditions, and good energy supply. In places in which capitalism developed early in history, where a commodity economy is developed, there is a tradition of experience in the organization of commodity production and commodity flow, a familiarity with markets, and numerous persons capable of organizing and managing large-scale social production. In historically formed areas for the development of agriculture, forestry, sideline occupations, livestock raising, or fisheries, the local people posses production skills and management experience, etc. It must be realized that the economic superiority formed by the aforementioned two types of conditions is interlinked, and a superiority determined by historical conditions is frequently interrelated with special natural conditions. Superiority determined by natural conditions is constantly manifested, moreover, in historical development.

The substance of economic superiority may be divided roughly into three spheres. One is the superiority conferred by geographical position, as for example a plant that is located both close to raw materials production sites and good transportation and communications; or a famous scenic area with famous mountains and great rivers where tourism may be developed; or a natural environment favoring agriculture. Second is superiority in

equipment and technology, such as the more advanced equipment possessed by industrial plants or production teams and a fairly high technical level for technicians and workers. Third is the superiority of management and administration, as for example, a good number of people versed in administration and management among existing managerial personnel.

Superiority exists in a comparative sense. The opposite of superiority is inferiority. Superiority and inferiority, long points and short points are all comparative. Only by comparing one industrial plant, one production team, one prefecture, one sector, or even an entire country with another unit, prefecture, sector, or country can one truly understand and grasp one's own superiority. In the case of economic superiority, except for certain superiorities determined by natural conditions, which are absolute, most others are relative. If we lie down on our own various economic superiorities and sleep a big sleep instead of vigorously nurturing them and developing them, these superiorities may turn into parity or even inferiority. Contrarily, if we act in a practical way taking facts as our guide, take our superiorities in hand and strive to make the most of them, these superiorities may then be relatively increased through practice.

Superiority develops through competition. Competition is the driving force for every economic unit in making the most of its own superiorities. A socialist economy is also a commodity economy in which the laws of value continue to play a definite regulatory role. Each and every relatively independent commodity production unit has to obtain greater economic results and through competition it must truly recognize and take full advantage of its own economic superiorities. If it does not, it will lose out and be unable to hold its position. In order to make the most of economic superiority, it is necessary to preserve the competition that inevitably exists in a socialist commodity economy. To abolish competition artificially or to show scant concern for economic results, and eat out of a common pot, will most definitely not result in making the most of the power in economic superiority. Planned competition forces every production unit, every place, and every sector to make the most economically of its own economic superiority, and the entire country thereby derives greater economic benefits. Though there will be a certain amount of conflict under some circumstances between the overall economy of the country and the economic benefit of production units, locales, and departments, nevertheless, they are virtually identical and there is no need for one to be sharply pitted against the other.

Thirty years of experience in economic construction has told us that in the quest for economic development there is a most fundamental principle, and that is that one must not under any circumstances fly in the face of objective laws and do something foolhardy from a position of inferiority. The disregard for numerous differences that was so rampant in the past, and an economic policy of a single solution for every problem, as for example the ridiculous practice of slowing development of coal production

in areas having a lot of coal when areas south of the Yangtze River needed coal, was not making the most of superiority but rather putting clamps on superiority, cutting down superiority, and a stupid matter of insisting on putting capital into inferior situations that should have been avoided, which caused damage to the wealth of the working people. Therefore, it must be said that the proposing and carrying out of a policy of getting the most from superiority, stressing the long points while avoiding the short points, coming as it does after we have paid in tremendous economic losses, is a scientific summation of China's historical experience in economic construction.

In essence, making the most of economic superiority is another way of using methods in accordance with economic laws to manage economic endeavors. In order to help economic superiority in all its aspects, various necessary conditions must be actively created in accordance with the requirements of economic laws in the system of economic management, economic policy, and economic methods.

Under China's socialist system, excellent conditions exist for making the most of economic superiorities. A potential is provided for a proper linking together and unified exploitation of both partial economic superiority and complete economic superiority. But to translate these potentialities into actualities, it is necessary also to properly handle conflicts over economic benefits among various spheres. For example, if it is desired that a region that produces raw materials should take fullest advantage of its superiority, then the more raw materials they produce and the finer the quality, the greater should be the economic benefits they obtain. If they produce more without receiving commensurate benefits, or if the more they produce the greater their economic losses, no one will have any enthusiasm for making the most of superiority. If no consideration is given to the welfare of the place that produces the raw materials, they will do the processing themselves because conditions for doing the processing are convenient and there is a profit to be had. But the historically formed superiority in processing lies elsewhere. The new processing industry begun in the area of production of the raw materials has poor equipment, low technology, and uses superior grade raw materials to produce low grade products with great waste. Inevitably, this situation will put pressure on the supply of raw materials to processing units possessing advanced technology, restricting others from making the most of their superiority and thereby impairing overall economic results. But depending on the argument that a part should submit to the will of the whole in solving this problem will not prove wholly effective. Reforms will have to be made in the economic management system on matters of pricing and tax revenues so that the raw materials producing area's genuine economic welfare is suitably looked after with a portion of profits from processing being returned to the producers of raw materials. Joint enterprises are also a new way of solving this problem. If the raw materials producing units are brought into a joint company or specialized company under unified

management, or if a joint enterprise is formed, or if the producers of raw materials are given priority in investing in the processing enterprises in an overlapping of capital, the conflict in economic welfare may be modulated, making it possible, thereby, for the economic superiority of a part and of the whole to be made the most of.

Under the conditions of a socialist commodity economy, making the most of economic superiority means making the most of the regulating function of the laws of value, and making full use of advantages resulting from products for which the hours of labor required are lower than the average prevailing in the society to derive greater earnings. This requires that prices must be commensurate with or near to value.

Growth of commodity circulation is a major economic condition for making the most of economic superiority. That we have been unable to make the most of superiority in the past was intimately related to the erroneous notion that the socialist economy and a commodity economy were in opposition to each other. Feudal ideas and methods such as a natural economy of self-sufficiency, mutual blockading, and shifting one's troubles on to others all ran counter to making the most of superiorities. In order to make the most of superiorities, one cannot practice big and complete or little and complete, nor can one practice completely independent entities everywhere. Goods that are superior in quality or superior in quantity and are produced everywhere have to have unblocked commodity channels into which they may flow so that their rapid marketing may be assured, and so that needed materials may also smoothly enter. The lack of development of commodity flow in China is pronounced in this area. Recently, Zhejiang Province, which has scant coal deposits but is superior in economic crops, used its economic crops in an exchange with Shanxi Province for coal, which is abundant there, with benefits in making the most of the economic superiority of both parties, and with real benefits for both. It goes without saying that if commodity circulation is not developed and one production unit not allowed to deal directly with another, or exchange what one has for what one does not have, so that places lacking steel and iron cannot obtain supplies of steel and iron and cotton growing areas are unable to obtain a supply of grain, economic superiority will be suppressed. If while calling for making the most of economic superiority changes are not made in specific policies of applying common solutions to all problems with prompt reductions in requisition purchase quotas for grain in areas growing economic crops, superiority will also be hard to make the most of.

A problem currently exists in reviving superiority and in establishing the material conditions for taking full advantage of superiority so that each unit's and sector's superiority may be fully expressed. For example, in the broad prairie lands of our country, superior conditions exist for the development of the livestock industry, but they have been damaged for a long time by the extreme left line. Now, in order to make the most of their dominance, there will have to be planned action to do necessary things such as gradual solution to the problem of irrigation of the prairies,

application of fertilizer, improvement in grazing grasses and types of livestock, disease prevention and the building of livestock enclosures and livestock shelters, and construction of facilities for the herdsmen. Simultaneously with the development of the prairie lands livestock industry, there will have to be a commensurate catching up in construction of communications and transportation facilities, energy, and processing. Unless these things are done, we will see the production of large amounts of dairy products that cannot be hauled away or processed, and we will watch helplessly as they turn rancid and are thrown away. If we are unable to overcome weaknesses in an extensive livestock industry, a single snowstorm can cause widespread death of livestock. The building of the various material conditions necessary in order to make the most of superiorities requires material and financial guarantees.

Making the most of superiority is a historical tide, and all concerned should actively make their own work conform to it.

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NATIONAL ECONOMIC POLICY

SOLUTION TO UNEMPLOYMENT DISCUSSED

Beijing GONGREN RIBAO in Chinese 13 Aug 80 p 1

[Article: "Liberalization of Policies Is a Fundamental Means for Solving the Labor Employment Problem"]

[Text] Solution to the labor employment problem is a major matter of national importance. Stability of the social order, growth of the national economy, and an increase in the people's standard of living depend to a very large extent on a satisfactory solution to the labor employment problem. For the industrial and communications front, this problem is intimately related to every business enterprise and, indeed, every worker's family. The CCP Central Committee views this matter with extreme concern. Recently, the CCP Central Committee convened a nationwide labor employment work conference, which summarized the lessons of the past 30 years of experience, decided on a series of major programs and policies, and pointed the direction toward reforms in the labor system. Even though numerous difficulties still remain in labor employment work, and though it remains impossible to thoroughly resolve the problem overnight, nevertheless, as a result of this conference, everybody's confidence has been strengthened, and they see hope. We believe that the broad masses of workers throughout the land will also be filled with joy on this account.

During the past 30 years, as the national economy has grown, labor employment work has made many accomplishments. Currently workers nationwide number more than 100 million, a five-fold increase over the early period of the People's Republic in 1952. During the 3 years since the smashing of the "gang of four," in particular, the employment problem has been solved for about 20 million people nationwide. This has played a major role in the promotion of stability and unity, in giving impetus to economic growth, and in improving the livelihood of the people. But it has to be realized that China is a developing nation with a thin base and a large population where, as a result of our own mistakes in work, particularly the destruction caused by Lin Biao and the "gang of four," growth of the national economy has been slow or even halted or went backwards at times. Many shortcomings exist in the economic structure, in population policies, in the labor system, and in the education system,

which give rise to serious imbalances in the proportional relationship between population production and the production of material wealth, and a large amount of the population has to wait a long time for jobs. During the past several years, because of debts incurred as a result of 10 catastrophic years, a large number of the population awaiting jobs has continued to wait, while arrangements have had to be made as well for millions of laborers from cities and towns who entered the labor force each year. Meanwhile, in many state-owned enterprises, there is overstaffing, more hands than are needed, and not very high labor efficiency. Facing the dual pressures of a large labor force awaiting employment, and surplus personnel in some units, solution to the labor employment problem seems even more formidable.

Ours is a country with an extreme abundance of labor resources. The industriousness, courage, intelligence, and manual dexterity of the people could place China in a position of superiority. Of course, the rather low scientific and cultural level of the Chinese people cannot but impair the quality of the labor force. Still, given a correct policy, and by giving full play to the superiority of the socialist system, the good points could be used to advantage while avoiding the shortcomings. Not only could the labor problem be solved, but this vast and mighty labor army could become a force possessed of competitive capabilities for the development of the national economy. During the first 7 or 8 years immediately following Liberation, we did indeed depend on correct policies to rapidly heal the scars of war and bring about a rapid revival and growth of the national economy. Later on, however, a series of problems in the growth of our population, in the national economic structure, and in the system for managing the economy, and even in the distribution of national income were adversely affected by leftist ideology, which caused many errors. Reflection in the labor system could not be avoided, and the crux of the reason labor employment has become a serious problem lies here.

During the early period of Liberation, a diversified economy and diversified ownership co-existed. We carried out a combined program of government arranged employment and employment provided by the masses themselves. Individual workers could seek work on the basis of their own expertise. As a result of this program, by 1956 we had virtually eradicated the phenomenon of unemployment inherited from the old society. The masses gave exceptional support to these methods, and characterized them as "two doors" employment programs. But after 1958, the diversified system of ownership became a dual system of ownership, and the collective economy operated by the masses in cities and towns was, in fact, drowned in the one "big" and two "public" clamor. This closed this door for the masses seeking to find work for themselves, and it increasingly narrowed the road to labor employment. Objectively, it gave rise to an ever increasing labor force in society, which was in conflict with ever decreasing employment opportunities. Consequently, today the labor employment problem has to be solved in its very fundamentals. First, there has to be a libera-

tion of the mentality, particularly a liberation from the ill effects of leftism, and there has to be practical action, a liberalization of policies, and a step-by-step reform of the entire economic system including the labor system.

The ill effects of leftism on the labor employment problem are manifested primarily in the following two spheres: One is an inappropriate emphasis on "big" and "public" in production relationships, emphasis on a transition of the collective economy to an economy of all the people, a transition from small collectives to large collectives, and the restriction or eradication of individual economy. Second is development from the "contracting" for a part of the labor force done during the early Liberation period to the so-called unified contracting and unified allocation system" in which all the labor force of cities and towns was taken on by the state. As a result, a series of confused notions grew up in people's minds. For example, they felt that only employment in enterprises owned by all the people could be considered employment. They felt their unbreakable "iron rice bowls" were guaranteed in enterprises owned by all the people, but that the breakable "porcelain rice bowls" of collective enterprises were short lived. They thought that "unified contracts and unified allocation" were manifestations of the superiority of the socialist system, while individually sought employment was "capitalism," etc, etc. Obviously a clarification of this muddled understanding, the institution of reforms of the economic system and the labor system, and the broadening of employment avenues to resolve the employment in a fundamental way was impossible.

In the long run, the solution to the employment problem will depend on a reasonable restriction of population growth and continued increases in production. Restriction of population growth is a problem that has attracted the serious attention of the entire party and the entire people at the present time, and one for which pertinent policies have been formulated, and some measures have been adopted for which the attainment of definite results will require continued future efforts.

At the present time, solution to the labor employment problem lies in the liberalization of policies as part of the liberation of the mentality. Correct policies have to be applied to arouse to the full enthusiasm in every place, enterprise, among workers, and in every sphere of society for the vigorous development of the national economy, widening of production avenues, widening of employment avenues, and widening of educational avenues. These policies include the following, primarily:

Production relationships must definitely be adapted to the laws pertaining to the levels of productivity. There can be no single solution applied to the system of ownership. So long as the absolute superiority of the socialist publicly owned economic system is maintained, diversified economic components and diversified management methods should be allowed to co-exist. There should be vigorous development of the collectively

owned economy with responsibility for its own profits and loses as well as appropriate development of an individual economy that does not exploit others, and through the betterment of the system of ownership structure should come an increase in labor employment positions.

The old regulation whereby all of the labor force has to be under contract to the state must be done away with, replaced with the institution employment arranged by labor units, under overall state planning and guidance, in a program that combines voluntary organization for employment and individual quests for employment.

Since the population of China is large and mostly unskilled, and since the cultural and technical level of the labor force is low, there must be a step-by-step reform to the existing educational system that changes the divorcement of education from economic construction. Educational endeavors must be vigorously promoted, and all kinds of vocational education must be particularly emphasized so that the structure of education matches the structure of employment, and so that the necessary conditions are created for development of the economy and expansion of employment.

In order to widen the avenues of employment and make the most of China's superiority in abundant labor resources, in the course of developing enterprises and units with advanced technical equipment and high labor productivity, greater development should be done, insofar as possible, of labor intensive industries, and of business, and service industries so as to improve the unit structure and the technical structure of the national economy and absorb a large amount of labor.

It must be realized that the pernicious influence of leftism has yet to be completely eradicated, and that all kinds of muddled notions have to be swept away. As with any policy, the various policies relating to labor employment will run into various kinds of resistance in their implementation. We must institute planned, probing, and meticulous ideological work. Every echelon of CCP committees and of labor unions on the industrial and communications front must liberate their mentalities, and implement CCP Central Committee programs and policies, which promote progress. Only when the mentality is on the right track can policies be on the right track, methods be on the right track, and difficulties be capable of being overcome. We believe that only through a genuine liberation of the mentality, through being practical, and through adoption of active and reliable concrete steps will it be definitely possible, while developing production, to find a good solution to the labor employment problem.

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ON PROBLEMS OF ECONOMIC RESULTS

HK220715 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 80 pp 8-12

[Article by Gui Shiyong [2710 0013 6978]: "Problems Concerning the Improvement of Overall Economic Results"]

[Text] With the strategic shifting of the emphasis on work throughout the country since the 3d Plenary Session of the 11th CCP Central Committee, a series of important changes have started in economic work. One of the key changes is the switch from the previous disregard of economic results to the track of striving for economic results. This is a great change in the guiding thought of economic work; the important significance of such a change will become more and more evident.

As far as the socialist economy based on collective ownership is concerned, striving for economic results must first be implemented in the overall policy-making and planning of the economy. In this connection, I think that there are several relatively prominent problems which need to be properly studied and discussed.

The Problem Concerning the Ratio Between Consumption and Accumulation

This problem reflects the relationship between production and construction and the daily life of the people. Whether or not this problem is properly handled has an important bearing on whether the national economy can develop in a healthy manner and achieve good results. Our country has a huge population but a weak economic foundation; the living standard of the people in both urban and rural areas is relatively low. In view of such a reality, we cannot have too high an accumulation ratio but must pay special attention to improving the results of accumulation. This of course does not mean that the lower the accumulation ratio is, the better the results will be. Accumulation provides an essential resource for expanding reproduction; without the necessary accumulation, it will not be possible to effect a continuous development of the economy. Since we are at the stage of pioneering, we should accumulate more capital within the possible limits for the use of production and contruction. However, the proportion of national income for accumulation at a given period is restricted by actual economic

conditions and cannot be fixed at whatever level people desire. At this point, two basic limits must be considered; one is to insure the necessary improvements in the daily life of the people on the basis of developing production and raising labor productivity; the other is that the magnitude of accumulation must be able to cope with the surplus means of production after the needs of simple reproduction have been secured. To fix an accumulation ratio to high so that it exceeds these two basic limits will not only fail to promote the development of production and construction but will also lead to a series of dislocations in economic ratios and relationships and hamper the development of the national economy.

What are the "necessary" improvements in the daily life? This is a problem calling for quantitative research based on concrete historical conditions. Karl Marx said that after the society of collective ownership was established, the necessary products of workers would break through the limitations of the value of the labor force and expand on the one hand to the limits required by the comprehensive development of the people and on the other hand to the limits allowed by the development of production. (Marx: "Das Kapital," Vol 1, p 578) Obviously, this carries the condition that productive forces have reached a higher level. Our present level of production is still relatively low. It is not yet possible to demand improvements in the daily life aimed at a comprehensive development of the people or other excessively high standards. Otherwise, this will not be realistic and will harm the facilities of the people. However, our country is a socialist state; in accordance with the requirement of fundamental laws of socialist economy, it is normally entirely necessary to improve the life of the people year by year with the growth of production. Sometimes, for the sake of readjusting the economic ratios and relationships, the growth of consumption can be made larger or smaller; but generally speaking, it is necessary to insure that living standards of the people continue to improve and to keep the extent of such growth lower than that of the growth of production so that the pace of growth in the average wages of workers is lower than the pace of growth in productivity while both the current and long term benefits of the people will be taken care of. When planning the ratio between consumption and accumulation, if the fundamental limit of making appropriate improvements in the life of the people is not taken into account and also if part of the workers' necessary products are persistently set aside for accumulation, then this will certainly lead to a dislocation in production and construction from the material welfare of the people, frustrate the enthusiasm of the masses for production, hamper economic development and even affect the reproduction of the labor force. When the level of accumulation exceeds the capability of the supply of the means of production, this will also lower the economic results of production and construction. This is because on the one hand it will cause capital construction to take up the goods and materials which should be used for current production and maintenance, thus affecting the utilization of the existing production capability. In addition, it will lead to a gap in the supply of construction materials, extend the construction period and lower the results of investment. It has been proved by long term practice that the result of not proceeding from basic conditions in our country, hoping for quick success in economic construction

as well as aiming at unrealistically high accumulation ratio and carrying out extensive construction in disregard of reality is not improving but lowering the economic results. This is a very impressive lesson. The leading comrades of the party Central Committee have recently pointed out that it is necessary to reduce step by step the accumulation ratio to about 25 percent. This is a demand in line with reality in our country and is put forth on the basis of summing up experiences. We should first achieve this target and then regularly keep the accumulation ratio at an appropriate level within the two fundamental limits mentioned above.

[HK220721] The Problem of Readjusting the Industrial Structure

At present, heavy industry carries too much weight in the national economy while agriculture and light industry are not receiving enough attention. Such a structure causes large amounts of capital and materials to be used in producing intermediary products and expanding reproduction while there are not many end products for direct consumption by the people. This is an important sign that economic results are not high. To allow our economic activities to obtain better results that suit our purposes, it is necessary to readjust the industrial structure into a lighter one. That is to say, it is necessary to speed up the development of agriculture and light industry and to let heavy industry further serve agriculture, light industry and the market. We must make strenuous efforts to further develop the production of the means of consumption to satisfy the growing needs of the people. At present, most means of consumption are produced by agriculture and light industry; the development of agriculture and light industry can also provide more career opportunities and capital accumulations as well as increase the financial income and foreign exchange earnings of the state. This is very essential for developing heavy industry in a better way, dealing with the relationship between production and daily life or between production and construction in a proper manner as well as enabling the whole economy to enter into a healthy cycle and vigorous development. In fact, we put forth long ago the principle of making plans by using agriculture as the basis and industry as the leading factor as well as following the order of agriculture, light industry and heavy industry. Unfortunately, this principle was not implemented in most years. Very often, an excessively high development target was fixed for heavy industry, particularly for the steel and iron industries, in disregard of actual conditions as a result, planning of the national economy then centered around this target, large amounts of money and manpower were drawn into the self-circulation of production and construction of heavy industry at the expense of agriculture and light industry, thus lowering the overall economic results. Such a practice went completely against the actual conditions in our country. To put forth the principle of readjusting the industrial structure into a lighter one does not mean to abandon the development of heavy industry. Agriculture, light industry and heavy industry are closely related and each one helps to boost the other two. The development of agriculture and light industry requires the support of heavy industry; such support will become more and more important as development moves forward. The crux of the problem is that it

is necessary to plan the course, speed and scope of the development of heavy industry by closely adhering to the practical needs of agriculture and light industry (and of course the needs of national defense and other aspects as well) so that heavy industry can really serve to boost agriculture and light industry. At the same time, with the development of production techniques and the rise in the consumption level of the people, the heavy industrial sector should also manufacture more and more consumer goods of a corresponding technological standard to meet the needs of the market.

The industrial structure is a very complicated problem. The division of the structure into agriculture, light industry and heavy industry still cannot accurately reflect the relationship between the two major categories of production, namely production of the means of consumption and production of the means of production; besides, it is not scientific enough to simply incorporate energy, communications and building industry into heavy industry, while certain sectors which are becoming more and more important such as commerce, service trades, public utilities in urban areas and so on are not included into such a division. Hence, it is obviously not appropriate to put all the areas of the industrial structure within the national economy under the relationship of agriculture, light industry and heavy industry. It is indeed necessary to make serious studies on the ways to classify industries in a more scientific manner so that it is possible to obtain better economic results by planning and organizing the economy in a rational manner according to the internal relations of the various industries.

The Problem Concerning the Relationship Between Speed and Effects

Speed is an expression of results, but the two cannot be equated. In actual life, how to handle the relationship between speed and results is one of the key problems when making policies for the overall economy.

I think that economic results should be placed in the top position so that speed is subordinate to results. In the work of planning, speed must be considered under the prerequisite of striving for overall economic results and not vice versa. Hence, there are two principles which we must insist on.

First, steady growth rates must be obtained under the prerequisite that the rates are in line with the economic ratios and development. The national economy is an organic whole; only by adhering to the ratios will there be reasonable and sustained growth. Practice has proved that the result of violating this principle by putting undue emphasis on one or two sectors in order to pursue high speed is a dislocation of ratios and the more haste, the less speed. Such a practice of disrupting the ratios in order to pursue higher speed also occurs in many aspects. In capital construction, the principle work or the "skeleton" is stressed but the subsidiary work or the "flesh" is ignored; in production, the main machinery is stressed but the parts are ignored and so on. Experience has told us that all these practices not favorable to improving economic results. The speed may seem a

bit higher for a certain period, but many other aspects are squeezed out and a large amount of debts are built up; in return, these debts will have to be repaid at a much higher cost.[HK220729] Therefore, in order to strive for economic results, it is necessary to improve the overall balance, to handle correctly the key and the general as well as the long term and the short term relations and to gain speed under the prerequisite that the speed must be in line with the economic ratios.

Second, it is necessary to gain solid speed under the condition of striving for varieties, improving quality and reducing consumption. At present, the speed of development is computed on the basis of total output value. To pursue output value and output volume lopsidely is a stubborn disease hampering the improvement of economic results and must be resolutely cured once and for all. Such a practice aims at gaining an undeserved reputation but invites real trouble; superficially, the output value may go up and the financial income may increase, but in fact there is an absence of corresponding material substance. In certain cases, what is produced does not even cover what is consumed in the production process and the economic result is negative. According to statistical figures, our speed of development over the past 30 years was not slow; but the economic strength of the country has not increased correspondingly nor has the life of people been improved. One of the main causes leading to such a phenomenon of "quick in one aspect but slow in two other aspects" is precisely the practice of pursuing high output value in disregard of varieties, quality and consumption. Therefore, in order to strive for economic results, it is necessary to insist on the principle of combining the efforts to achieve greater, faster, better and more economical results with an aim to obtain greater and faster results from better and more economical results.

Moreover, we must also seek the most reasonable speed under the condition of taking care of both overall and partial benefits as well as long term and existing benefits. While we cannot just stress the partial or existing economic results, we also cannot ignore the partial or existing benefits.

The root cause of pursuing "high speed" in disregard economic ratios, economic results and actual capabilities is simply one word and that is the word "haste." Since our country is poor and backward, it is quite natural that people are anxious to have the appearance changed speedily. Nevertheless, it is precisely the poverty and backwardness as well as the limited national capabilities which have also decided that socialist construction can only be achieved after a protracted period of hard work. We should proceed from actual economic conditions and not from subjective wishes, even if the wish is a good one, to plan our actions. It does not matter if things go slowly but it does matter if things go the wrong way. The pace of steady growth in line with the reality is in fact not slow but fast; it is also this kind of down-to-earth speed that can bring about good results.

The Problem of the Ways to Expand Reproduction

For many years, whenever people talked about developing production. They had to submit plans to proceed with new items and establish new setups;

of course they would also say that it is necessary to put in a priority position the tasks of tapping potentials, and improving and reforming old enterprises. But in fact they did not carry out these jobs. The depreciation rate of our fixed assets is not high and 70 or 80 percent of the depreciation fund drawn by enterprises is taken away through various channels for carrying out new items of construction. Such a practice has on the one hand gradually brought about lopsided developments in old enterprises and caused technical conditions to remain unchanged for many years or even become worse; on the other hand, it has continued to prolong the capital construction front and thus newly constructed enterprises cannot go into operation after a long period. Jobs that require small amounts of investment but generate quick returns are not done or done on a limited scale; instead, large amounts of financial and material resources are used for fighting a war of attrition. How can this improve economic results? It is now clear to us that in order to strive for economic results, it is necessary to shift the emphasis to renewing equipment and introducing technological innovations in old enterprises. This is because: (1) we have already built an independent and relatively complete industrial system under which there is already a fairly complete range of industries forming an overall distribution pattern. On the one hand, the potentials of this industrial foundation have barely been exploited; on the other hand, many skeleton enterprises built in the 1950's urgently need rejuvenating or reforming. 2) The energy problem has become a prominent problem in economic development. In order to solve this problem, it is necessary to place emphasis on both exploitation and thrift. In the near future, however, thrift should be placed in the priority position; this also requires a systematic technological reform within the existing enterprises. 3) At present we are carrying out the building of modernizations under the condition of having a fairly solid industrial foundation but not enough capital. Only by placing the emphasis on reforming the technology of old enterprises can the abilities of the broad masses of cadres, technological staff and workers be brought into full play and bigger results be achieved speedily with a smaller amount of capital. 4) At present there are not enough tasks for the mechanical industry, quite a large amount of the production capacity and technological strength is left idle. There is also quite a large stockprice of steel material and electromechanical equipment. This provides conditions for renewing the equipment and carrying out technological reform in old enterprises by stages and in different groups. [HK220735] Marx said that expansion of reproduction could be in the forms of "external extension" or "internal containment." Judging from the situation in some countries, economic development often starts to switch from an extensive orientation to an intensive orientation when there is a shortage of labor. Our country has very abundant labor resources; but this cannot become an excuse for continuing the practice of extensive management. We must realize that we do not have much capital and that we are not rich in raw and semiprocessed materials, especially fuels. If we do not carry out timely reforms in a large number of old enterprises which consume large amounts of material but turn out products of poor quality and bring about a significant change in the appearance of their production techniques, then the development of industry and even the progress of the whole cause of modernization will surely

encounter great difficulties. Of course, because we have ample labor forces, technological reforms in our enterprises should also have their own characteristics, namely the emphasis should be placed on reducing consumption, increasing product varieties, improving qualities and increasing the output of products in short supply as well as reducing energy consumption. This should be the central task from now on. While reforming the old enterprises, it is also necessary to actively develop the labor-intensive type of products and industries to create more career opportunities.

Technological reforms of old enterprises should be carried out in conjunction with the restructuring of the enterprises. It is essential to draw up practical plans by adopting the method of integrating the top and the bottom and also to offer guarantees in the aspects of capital allocation, material supply economic policies and so on. Because of this, it is necessary to adopt some of the following methods: 1) Be resolute to control the scope of capital construction. With the reduction in the cost of production, depreciation rates for fixed assets of different trades and industries should be raised in different periods and more funds should be used in the areas of renewing equipment and reforming enterprises. 2) Put the new items of construction under strict control, when the construction items in progress are completed and put into operation. A large part of the spare investment for capital construction should be used for rebuilding and reforming the old enterprises. The employment of foreign capital and the introduction of technology should also be integrated as far as possible with the building of construction items in progress and the reform of old enterprises. 3) An enterprise should be given more power to renew the equipment and to carry out reform under centralized planning and guidance. The depreciation charge must be fully reserved for the enterprise and can be used in conjunction with the enterprise's fund for production development, the depreciation fund for overall repair and the bank loan for introducing technological measures. 4) Give full play to the bank's function of adjusting and supervising the use of capital; lay down different credit periods and lending rates for different kinds of reform work carried out by different industries. 5) Organise stock companies for technological innovation investment on the basis of voluntary participation by the enterprises and taking care of each partner's economic benefits in a rational manner to facilitate the concentration of capital and to advance the renewal of equipment and technological reform in a planned manner. 5) [sic--number as given] The state should tax the investments and fix different tax rates for different investments so as to control the investment orientation of enterprises and the scope of construction as well as to shorten the construction period. 7) To exercise overall control over the allocation of materials, the principle of "production comes before capital construction, reform comes before new construction" should be strictly observed. The method of issuing coupons to families who should then make purchases with them should be implemented.

The Problem of Giving Play to Superiority

In simple terms, this means to practice "optimization" in all aspects of economic work. Without this, it is impossible to improve economic results

speedily. As far as developing the economy of a region or an enterprise is concerned, the substance of this problem is to expand socialist commodity production and socialist commodity circulation. Our country has not yet experienced the stage of a well developed commodity economy and only has a very low degree of socialization of production. To develop the commodity economy, foster the division of labor in society and raise the socialization level of the whole economy are the ways we must follow during the stage of socialism in order to develop productive forces and improve overall economic results. For a long period, however, we contracted a kind of "commercial-phobia," fearing that to develop a commodity economy would lead to capitalism. Therefore, we imposed as many restrictions as possible on such development. Under the influence of natural economic ideas, quite a few slogans and policies were used to encourage localities or departments to form their own self-reliant system as well as to encourage and prescribe an overall practice of "large but self-contained" or "small but self-contained." As a result, this restricted the superiority of each area being given free play and even resulted in discarding good points but learning the shortcomings, wasting money and manpower and seriously hampering the development of the productive forces. A resolute change in this aspect is absolutely necessary in order to strive for economic results.

[HK220745] Now, the principle of giving play to superiority has received enthusiastic support from everyone. Serious study is being carried out in every place on how to publicize good points, avoid defects and give play to each areas' own superiority. This has brought new vitality to economic development. Of course, in order to actually carry out this principle properly, there are still quite a number of problems to solve in ideological knowledge and economic policies. Here are some examples. What is the actual superiority? What sort of standard should be followed and what kind of factors should be considered in order to determine the superiority of a region or a department? How should prices and tax revenue be readjusted in a rational manner so that due economic benefits can be achieved when bringing various forms of superiority into play? How should we increase circulation channels and reduce intermediary links so that the localities can help supply each other's needs and overcome their shortcomings by learning from the strong points of others? How should we safeguard competition and promote alliances so that the localities and enterprises and more effectively give play to their superiority through competition and mutual cooperation? All these problems need to be probed and studied with an emancipated mind and a practical approach.

The Problem of Economic Form and the Economic Management System

The crux of this problem is to suit production relations to the nature of productive forces and to suit the superstructure to the requirements of the economic foundation so as to mobilize the enthusiasm of different quarters and thus improve overall economic results. Since our country is big, situations in different places are greatly different and the economic development

is extremely unbalanced. In view of this, "uniformity" cannot be practiced in the system of ownership; instead, it is necessary to adopt the form of diversified economy and the method of diversified operation under the condition of maintaining an absolute predominance of socialist collective ownership so as to develop productive forces. Besides, the system of economic management cannot overemphasize centralism, but should give full play to the enthusiasm and initiative of all sectors, localities, enterprises and individual workers under unified leadership, properly combine planned adjustment and market adjustment and develop an integrated economy with diversification. Only by doing so can we actually recognize and properly handle the various relations of different economic benefits existing objectively in the stage of socialism so as to create the economic life, a situation in which there is both centralism and democracy. Only by doing so can we also make it easier to avoid bureaucracy and guard against anarchism, make it possible for us to act according to objective economic laws and impel the national economy to advance forward harmoniously and lively. Since the third plenary session of the CCP Central Committee, we have done quite a lot and obtained obvious results in the areas of readjusting the economic method and reforming the economic system. However, this is a very complicated problem while the current work has just begun. We must keep studying new situations, solving new problems and moving forward in both the theoretical and practical aspects.

What has been said here certainly does not cover all the problems concerning the improvement of overall economic results. Other subjects like technological policy, energy policy, cultivation of qualified personnel, policy of labor wages, commercial policy, foreign trade policy and internal management, accounting and so on of individual enterprises are subjects which need to be studied seriously in order to strive for economic results. All regions in economic life and all aspects of economic work must seriously implement the principle of achieving the maximum useful results by using the minimum of labor consumption (including the resources taken up by labor) and apply this as a standard to assess the work performance and measure the results obtained.

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CHINESE-STYLE MODERNIZATION

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[Article by Zhou Chenhua (0719 2182 5478) of Sichuan Academy of Social Sciences: "On Some of the Features of Chinese-Style Modernization"]

I

[Text] Accomplishing modernization is a question of developing production forces as well as overcoming a country's backward economy and technology. There is only one standard by which we decide whether or not a country has accomplished modernization which is by examining if its national economic and defense departments are at the current advanced scientific and technological levels and if its economy and technology have attained the world's advanced levels. Countries are at different historic times with various foundations for their production technology. In addition, they have different economic and political systems while their population and geographical conditions also vary. Consequently, each has its own approach with a distinctive basic feature in catching up economically and technologically with advanced world levels.

There are five factors determining the basic features by which country accomplishes modernization:

(1) A country's historic times and its existing production technology. Of all the modes of production, production forces are the most revolutionary and active factors, playing a decisive role in the social life and the development of social history. With different historic times, the social production forces will be in rariform of nature and have varied development levels. As far as the whole world is concerned the content and standard symbolizing the modernization of one historic times are completely different from those of another. Also countries have different foundations of production technology. So there must be different features in the way each country tries to attain the current advanced economic and technological levels on the basis of its existing production technology.

(2) The economic and political systems of a country. The mode of production is the deciding factor of social and material living conditions. It determines the features and nature of a country as well as the development from one social system to another. Different relations of production lead to the creating and functioning of different effective economic laws. This in turn causes the modernization achieved under conditions where there are different relations of production to have varied aims, ways and consequences. At the same time, the influence of the state's administration and other superstructure on the modernization of production is also great. It follows that there are different features of modernization for countries under different economic and political systems.

(3) The population conditions of a country. Population conditions are one of the constant and essential factors of social and material living conditions. They can expedite or delay the development of production forces. They include the size, density, growth rate, quality, composition and distribution of population, which are determined by the level of production forces and the nature of the relations of production. They also have a strong effect on the development of production forces and the consolidation of new production relations. In addition to determining the features of modernization, the population conditions of a country determine to a very large extent the structures of the country's industry, technology, and trade commodities.

(4) The geographical conditions of a country. Geographical conditions are also one of the constant and essential factors of social and material living conditions, and they can expedite or delay the development of production forces as well. They include the area, the natural resources and the geographical position of the country. These are all objective material conditions for the development of production forces and modernization which determine to a very large extent the scale and speed of development of the industrial and agricultural production as well as transportation. Moreover, they also determine the structures of industrial departments and social economy and the country's trend of modernization.

(5) People's knowledge of economic and natural laws and the extent to which the laws are applied. The modernization of a country is carried out through people's subjective efforts. The people's knowledge of economic and natural laws of different countries and times and the extent to which the laws are applied vary. As a result, modernization of one country differs from that of another.

In short, the features of modernization of a country are determined by such factors as the country's social existence (social and material living conditions) and social consciousness. To know the basic features of Chinese-style modernization, we have to carry out concrete analysis and comprehensive study of objective factors such as production forces, production relations, geographical conditions and such subjective factors as people's knowledge of economic and natural laws and the extent to which the laws are applied.

[HK221049] The merits and demerits and the strong and weak points in the process of modernization are closely linked to one another. Our country is rich in human resources. But because of our huge population which increases rapidly and the scarcity of arable land, sharp contrasts exist between the rate of increase of labor force and the full utilization of the labor force as well as between the accumulation of funds for construction and improvement on the people's living standard. Our country is one with a vast territory, rich in natural resources, which we have not fully exploited and utilized due to the lack of advanced technology and large amounts of capital. We have a certain industrial foundation. However, as objective economic laws were not observed in some aspects in the past and, what with the pernicious influence of Lin Biao and the ultra-"left" line of the "gang of four" in particular, our national economic proportion became dislocated and the economic structure became unreasonable. Our production technology and management and administration are now lagging far behind. Consequently, our existing production potential has not been fully and reasonably utilized. Our socialist system is superb. But the imperfect branches in our economic and political systems have hampered the development of production forces, while the serious drawbacks in economic management and administration have hindered the bringing into play the initiative of the enterprises, the staff and workers and the masses. In-depth study has yet to be conducted to find out if there are some relative laws existing between our 30 years' experience and those of modernization of other countries. If there are, then the laws should be used as the guide for our modernization.

It should be realized that the merits and strong points of our modernization are the factors that will have a long-term effect during the entire historic period of socialist construction. These factors will be able to display more and more of their superiority with the progress of the modernization of the social construction. On the other hand, the demerits and the weak points are the factors that will have effect within a shorter period. This demands hard work by the whole party and nation, then the population growth can be controlled step by step, the natural resources exploited and utilized progressively, the capital and technology acquired gradually and our understanding towards the economic and natural laws will be more thorough. At the same time, during its own course of development, the socialist system will be continuously consolidated and perfected, giving full play to its inherent superiority and unlimited potential.

The party Central Committee has proposed a Chinese-style modernization which will integrate the universal truth of Marxism-Leninism with the concrete practice of our country's modernized socialist construction so that our modernization construction will meet the demands of our socialist system and tally with our national conditions of being a country that has a large population and a vast territory with limited arable land and a very poor foundation. Also it will give prominence to our distinguishing features, give free rein to our superiority, enable us to learn from other's strong

points to offset our weaknesses and thus adopt what is good and discard what is bad in the course of modernization so that the merits and strong points of our modernization can be fully utilized, the demerits and weak points continuously overcome and thus bring every positive factor into play by fully utilizing our manpower, material and financial resources in order to build China into a powerful modern socialist country.

As to what modernization is, in what way the contents of modernization of different times vary from one another, what socialist modernization is and what the difference between socialist and capitalist modernization is, I have discussed these questions in previous articles. I would now like to analyze some of the features of Chinese-style modernization which are determined by such national conditions as having a very large population and a vast territory with limited arable land and a poor foundation.

II

One of the important national conditions in China is that it is a country that has a very large population but with little arable land. This determines one important feature of Chinese-style modernization which is that modernization must start with some 900 million plus people. Overall plans must be made and all factors be taken into consideration so that full and reasonable use can be made of our vast labor resource for modernization construction.

Having a population of more than 900 million people, which accounts for nearly 1/4 of the world population, China is the country which has the largest population in the world. But with 1,500 million mu of arable land, making up 1/14 of the world's acreage under cultivation, we only have a little more than 1 1/2 mu for each person on the average. This ranks us among the countries with the least acreage under cultivation per capita. For the past 30 years, the natural growth rate of our country has been even higher than 2 percent. With an increase of more than 600 million people, it means an annual average birth rate of 20 million people, making us the country with the highest annual increase of labor force in the world. In the course of modernization construction, the contradictions between a large population and scarce arable land as well as between increasing the labor productivity and fully utilizing the labor force are inevitable. This is something which was never encountered by Western developed countries in the course of their modernization.

[HK221051] To proceed from our national conditions and carry out modernization construction, the actual conditions of our having a very large population with limited arable land must be used as the starting point for designing the blueprint of modernization construction. On the one hand, conscientious control over population must be regarded as an important strategic task in accomplishing our four modernizations. The present natural increase rate of population of 1.2 percent should be reduced by every possible

means to 0.5 percent by 1985, and to 0 percent by 2000 to eliminate to a very large extent the pressure the large population and its fast growth exert on modernization construction. On the other hand, the superiority of having a large labor force must be brought into full play while the weaknesses of having limited arable land as well as an under-utilized labor force must be overcome, agricultural and industrial modernizations suited to our national conditions should be adopted so that automatic and semi-automatic as well as mechanic and semi-mechanic production systems and various types of manual labor can be developed. At the same time, full use must be made of our manpower resources to develop the range and quality of production.

To achieve modernization, agriculture must be intensified and mechanized, semi-mechanization must be integrated with manual labor, farming, forestry, animal husbandry, sideline production and fishery must be promoted simultaneously, while farming, industry and commerce developed comprehensively.

Many of the developed countries are big in size but their population is sparse. In achieving modernization in agriculture, they use modern technical equipment because they lack the labor force, thus greatly reducing the need for a large [missing words]. Take the United States for example. In 1975, each laborer had equipment which was worth U.S. $90,000 on the average and was responsible for 928 mu of cultivated land and produced 170,000 catties of grain and 130,000 catties of meat. But we cannot do likewise because we have a large population with little cultivated land and we lag behind in economy and technology. We have 1,500 million mu of cultivated land with an agricultural labor force of more than 300 million people. If each agricultural laborer were to be responsible for 900 mu of cultivated land, all we would need is 1.6 million agricultural laborers. What are we going to do with the remaining 300 million? If each laborer were to have U.S. $90,000 worth of technical equipment, then 1.6 million laborers would need U.S. $144,000 million worth of advanced technical equipment. Where could we get such a large sum of investment money?

Therefore, to realize modernization in agriculture we must use our own method and proceed from the basis that ours is a country that has a very large population without much land. We can only establish state-invested modern agricultural enterprises in large but sparsely populated regions suitable for mechanized operation in large areas. The most advanced technical equipment should be used progressively and scientific production and management methods adopted to establish bases for commodity grain, industrial crop, animal husbandry, fishery and forestry with high agricultural commodity productivity. For instance, in 1978, a set of 63 pieces of advanced equipment costing U.S. $977,000 was introduced from the U.S. in team 2 of the 5th branch of the Heilongjiang friendly farm. Subsequently, the amount of land for which each agricultural laborer was responsible increased from 50 to 927 mu. On an average, each laborer produced 206,300 catties of grain and soya beans. This was already an indication of the

advantage of a large-scale modern agriculture. Yet this cannot be done in most of the small but densely populated regions. We can only develop the mechanization and semi-mechanization of farming, forestry, animal husbandry, sideline production and fishery. At the same time, agriculture should be electrified; all the farmland brought under irrigation; and chemical fertilizers and other farm chemicals used extensively. Moreover, in the course of achieving the modernization and mechanization of agriculture, primary importance must be attached to increasing the land utilization ratio and the yield of farm products per unit area to ensure increased production and income as well as the reasonable use of the agricultural labor force.

We should fully utilize our rich labor force resource in line with the local conditions for the basic construction of agriculture and actively change the fundamental conditions of agricultural production so that the ability to resist natural calamities can be strengthened for the cultivation of agricultural land with a high and stable yield. We should also proceed with intensive cultivation and be engaged in scientific farming. Vigorous efforts must be made to protect seeds, fertilizers and plants and reform the system of cultivation. Particular emphasis must be put on the study of applying science and technology to agriculture. Furthermore, the yield per unit area must be increased by every possible means. Seventy percent of our land is covered with mountains. Twenty percent is cultivated fields and the remaining ten percent is covered by water. Planting alone will absorb a very limited amount of the labor force and increase agricultural production by an extremely small margin. To bring into play the advantage of having a very large population, farming, forestry, animal husbandry, sideline production and fishery must be developed in an all-round way. People living on a mountain should live off the mountain and those living near the water live off the water. Afforestation and animal husbandry should be practiced where appropriate. We should march towards a diversified economy and find more ways of production for the large agricultural labor force to increase the wealth of the society and the income of the members of the society.

[HK221053] In the course of achieving the mechanization and modernization of agriculture, the population in the rural areas of a developed country is greatly reduced. Seventy to eighty percent of the total population of the entire country are concentrated in the cities. However, this is something absolutely out of the question for us. Our primary concern is to make arrangements locally for the surplus labor force as well as to jointly develop agriculture, industry and commerce. We should devote great efforts to develop in rural areas the industry of agricultural product processing and make "agriculture, sideline production, industry and commerce" a coordinated process, combining the production, processing and marketing of agriculture into an integral whole in order to promote development of production and increase the income of the peasants. In addition, production of some of the industrial products that require a lower standard of

technology should be spread over to rural areas and rural industries should process spare parts for big industries in cities, and manufacture export products and daily necessities for rural people. At the same time, small towns should be built all over the rural areas in a planned way and the culture, education, science and various service trades in rural areas developed to accommodate the large amount of agricultural labor force.

To accomplish modernization in industry, a "three-tier structure" system of developing simultaneously in large, medium and small enterprises, automation, mechanization and manual labor as well as state and collective ownership should be adopted.

In the first tier, large and modernized enterprises of the world's advanced level which are highly automatic constitute the backbone of our entire national economy. To expedite a thorough change in the backwardness of our economy and technology, we must introduce large and modernized enterprises of the world's advanced level in those key departments on which hinge our national economy, our people's livelihood and the building up of our national defense. These enterprises will then serve as the material and technical bases for all departments responsible for our national economy and defense and will undergo an overall and fundamental technical reform and thus strengthen our economy and national defense so that we can maintain our economic independence and remain invincible. The technical design of this kind of large and very modernized enterprises is complicated. But their output is great and of high quality; their cost low and their labor productivity high. But, apart from requiring more investment and foreign exchange, they take a long time to establish and can only absorb a limited amount of the labor force. At present, to introduce from abroad large and modernized enterprises, it generally needs investments ranging from a hundred odd thousand to several hundred thousand dolhs to accommodate a laborer. With our existing economic strength, we can only afford to establish a few of these highly automatic, large and modernized enterprises in our entire industry.

In the second tier, medium and small enterprises or some of the large enterprises that are semi-automatic and mechanized make up the majority of the enterprises in the entire industrial system. Most of the technical equipment of these enterprises was introduced from abroad or designed and manufactured by our country in the 1950's. Compared with the large and modernized enterprises, these kinds of enterprises are backward in equipment, resulting in less output, poorer quality, higher costs and lower labor productivity. But it requires less investment, which generally ranges from ten thousand to several tens of thousand of dollars to accommodate a laborer. Moreover, as they are established inside our own country, we can solve the problems of design and equipment by ourselves. At the same time, these enterprises have great potential. All we have to do is to make use of foreign and our own scientific achievements for technical reforms and thus quickly eliminate backwardness. We must, on the basis that there will be no change in the number of people, improve the production technology,

increase the utilization rate of equipment and installation and reduce the drain on raw and processed materials, fuel and electricity as much as possible in order to produce more and better products and avoid having surplus labor force like those in developed countries as a result of higher industrial labor productivity.

In the third tier, semi-mechanized and manually operated enterprises of collective ownership also account for a fairly large proportion. At the moment, there is an annual increase of about 3 million laborers in our cities and towns who have to be accommodated. But this cannot be done by the large and modernized enterprises. Neither can it be done by the medium and small enterprises which are more modernized. Therefore, we have to depend on the masses, make do with whatever is available and establish in our cities and towns a great number of collectively-owned enterprises that are relatively backward in technology. Compared with the state-run enterprises, they lag behind in technology, fall short of capital and do not have a good foundation to start with. Yet they represent a direct integration of collective laborers with means of production. Besides, they adopt the system of independent accounting and assuming the sole responsibility for their own profits and losses. They tend to be flexible in operation and democratic in management. With more power to decide management matters and keep more economic benefits for themselves, enterprises will be able to mobilize more fully their enthusiasm and that of their staff and workers so that production can be actively expanded and that jobs will be available for a large number of idle laborers. At the same time, we can increase our accumulation with our own strength, and achieve step by step semi-mechanization and mechanization. [HK221055] In 1978, collectively-owned industrial enterprises in our cities and towns accounted for 3/4 of the total of all the industrial enterprises in our countries, whereas their staff and workers made up 1/3 of the entire nation and their total production was 1/5 of our country's total industrial production. Each year they accumulated capital that was worth hundreds of millions of dollars for the state finance while arrangements were made for about half of the people in the cities and towns to get jobs for the last 3 years. It is predicted that collectively-owned enterprises will play an important role in the course of achieving modernization.

III

Another aspect of our national conditions is that though we are rich in resources, we lag behind in economy. One feature determining the way to accomplish the Chinese-style modernization is that we should proceed from the national and resource conditions we have to achieve the best economic result.

With 9.6 million square kilometres of land in our country, we have superb natural conditions and are rich in natural resources. But how we are going to fully utilize these conditions to develop our agriculture and industry so that the basic living requirements of the 900 odd million people can be met, and how we are going to help our 800 million peasants wipe out poverty

and become prosperous? These are very important questions to be answered in the Chinese-style modernizations. We cannot depend on imported grain, cotton and wool like England and Japan. When we concentrate our strength to promote industry, we cannot pattern ourselves after the Soviet Union. We cannot give priority to the development of heavy industry and create a situation of protracted backwardness in agricultural production. Instead, we should give top priority to improving the backward situation of agricultural production when we set out to achieve modernization construction. Light industries that are closely related to agriculture should be developed quickly on the basis of expediting the development of agriculture. At the same time, heavy industry and other industries that serve agriculture and light industries should also be expanded. Moreover, the development of the entire national economy should be pushed forward so that the livelihood of the 900 million people can be improved in the course of economic development.

In his report "On the Ten Relations" put forward as early as in 1956, Comrade Mao Zedong strongly advocated that methods used in developing agriculture and light industries should be employed to expand heavy industry. But this important instruction had not been thoroughly carried out. In fact as a result of the impractical efforts to attain the target of iron and steel and other heavy industries, the unreasonable economic structure of the heavy and light industries and agriculture was gradually formed. It was intended to expedite the modernization construction subjectively. But since the objective laws were not observed, it turned out that things went contrary to his instruction. Construction slowed down, less capital was accumulated and the livelihood of the people was not improved while the proportion of the national economy became seriously dislocated. This is one hard lesson we must never forget.

Agriculture is the basis of our entire national economy as well as for accomplishing the four modernizations, only when agriculture moves forward will the livelihood of the 800 million peasants be progressively improved so that they will be able to live and work in peace and contentment. In addition, the 100 odd million staff and workers and the city people will then be able to obtain plenty of agricultural and sideline products, and have their livelihood improved daily. Also, the light industries which use agricultural products as their main raw material will quickly develop, the heavy industry will get enough commodities and grain and there will be fast development in capital and markets. The most important task in our modernization construction is to carry out the party's economy policy in rural areas so that there will be rapid development in our backward agriculture. On the other hand, light industries also play an extremely important part in our national economy, require a small amount of investment. Their turnovers are quick and they create much foreign exchange and earn great profits. Data from 1977 show that for every 10,000 dollars invested by the state in the light textile industry, an annual profit and revenue of 5,200 was earned. Thus, within 2 years the capital outlay was

recouped. Yet if the same amount of money was invested in iron and steel industry, only a profit and revenue of $600 could be made and it would take 16.5 years to recoup the capital outlay. Between 1950 and 1977, the profit and revenue earned by our light textile industry was 13 times more than the amount of investment the state had poured into the sector, and made up 29 percent of the total national revenue which was equal to 70 percent of the total investment in the basic construction of our state. (Please see the article by a commentator of the PEOPLE'S DAILY: "Promoting Light Textile Industry With Special Measures" PEOPLE'S DAILY, 3 June 1979.) Moreover, to develop heavy industry, we must introduce advanced equipment and technology from abroad. This requires huge amount of foreign exchange. In 1979, foreign exchange acquired by light industry export accounted for 42 percent of the total foreign exchange. (Please see the article by Zhou Shulian and Wu Jinglian: "Priority Should Be Given to the Development of Light Industry," PEOPLE'S DAILY, 31 August 1979). It can be seen, therefore, that the development of light industry will play an important part in promoting the construction of heavy industry.

[HK221057] In addition, we must also realize that the means of subsistence of agriculture and light industry affect directly the immediate interests of the masses and the individual while many of the means of production of heavy industry will directly effect the overall and long-term interests of the masses. In modernization construction, we should not only pay close attention to developing heavy industry in order to enlarge the long-term and overall interests of the masses, but should also attach great importance to expanding agriculture and light industry to enlarge the immediate and individual interests. Only by promoting the development of the entire industry and national economy through the expanding of agriculture and light industry to enable the masses to get economic benefits that can be seen, and improve the material and cultural lives gradually will the endless enthusiasm, initiative and creativeness be aroused. If attention is paid to industry and accumulation only, neglecting agriculture, light industry and improvement of livelihood, then the four modernizations will not be integrated with the immediate interests of the 900 million people. Neither will it be possible to arouse the enthusiasm of the 900 million people to carry out the modernization construction. In the final analysis, this will not benefit the enlargement of the overall and long-term interests of the people.

Also, our country has superb resources for the development of modern industry. It is one of the few countries in the world that have a relatively complete range of minerals. In China, it is possible to find all the 140 odd known minerals. As a matter of fact, the exact reserves of 132 of them have been proved. The proved reserves of 17 main mineral reserves including coal, iron, copper, tungsten, tin, antimony and zinc rank first in the world. The proved reserves of our coal mines are more than 600,000 million tons, complete in quality and type. Large or extra large iron mines with

42,000 tons of proved reserves have been detected in 18 provinces and autonomous regions. There are more than 20 types of nonferrous and precious metals with rich proved reserves. More than 1,400 oil-bearing structures have been located on the sedimentary basin of an area more than 1 million sq. km. on our continent. There are also large quantities of petroleum deposits on the continental shelf along the coast. With a reserve of 580 million kw. of hydraulic reserves, ours is the richest country in hydraulic resources. But as we have a poor foundation to start with and we lack capital, equipment and technology, these rich mineral and hydraulic resources have not been fully exploited and utilized. As a result, many of the important minerals have not been clearly prospected and have not really become means of production.

To bring our superiority in resources into play and to overcome the weaknesses of lacking capital, equipment and technology as well as lagging behind in management, we must make good use of the existing international situation and adopt the way which is currently practiced internationally and which will benefit us by positively and steadily introducing from abroad advanced equipment and technology. At the same time, we should make use of foreign capital to effectively exploit and utilize our extremely rich resources and energy so that the four modernizations can be expedited.

To seriously study the features and laws of Chinese-style modernization is an important and creative but painstaking task. Under the guidance of Marxism-Leninism Mao Zedong Thought, and together with the wisdom, intelligence and the rich practical experience of our 900 million people, we will be able to understand thoroughly step by step the objective laws for achieving the four modernizations, overcome the difficulties and obstacles and build China into a powerful socialist modern country.

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DEVELOPING SOCIAL PRODUCTIVE FORCES

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[Article by Wang Xuewen [3769 1331 2429]: "Develop China's Social Productive Forces To Speed Up Modernization"]

[Text] It was resolved at the 3d Plenary Session of the 11th Party Central Committee to shift the main emphasis of party work toward socialist modernized construction. It is the great goal of the united struggle of the people of the whole country to realize the four modernizations before the end of this century. The four modernizations, in the final analysis, are to speed up the development of the productive forces. Now, let us discuss how we can accelerate the development of the social productive forces and speed up the four modernizations.

I

Productive force is the motive force for social production and even the development of the entire society. It is one of the fundamental questions raised by historical materialism and the study of political economy.

Productive force is the force to produce material resources in the subjugation and transformation of nature for the survival and development of human society itself. It directly determines the relations of production and determines the superstructure through the sum total of the relations of production which constitute the economic base. It exists and plays a role in the reaction between the superstructure and the relations of production. It is composed of the three key elements of labor force, labor materials and subject of labor. The amount of productive force itself is determined by these three key elements and the combined role which they play.

Labor force is the human factor of productive force. It is the combined physical and mental strength of the workers in their creation of material resources and it includes the quality and quantity of labor force. Specifically speaking, it includes technical ability, labor skills, physical

strength, the intensity of labor and the conditions of the organization (the cooperation and division of labor within the labor force) of the workers.

The means of labor and the subject of labor are material factors in the productive force and these two form the means of production.

The means of labor is the material or composite body of materials used by workers to carry out their work and to process the subject of labor, such as tools, mechanical installations and so on. The most important means of labor are the tools for production. This includes all material conditions such as the work premises and factory buildings needed for the work.

The subject of labor is the objective material which the workers transform with the means of labor by adding labor to it during the course of their work. The subject of labor includes the two parts of the natural forces which exist naturally and can be controlled by human beings and the part which is processed by human labor. The subject of labor which is processed by human labor is called raw material.

The labor force, the means of labor and the subject of labor form the productive forces. The means of labor is the essential factor in the productive force. Marx pointed out in "Das Kapital": "The means of labor is not only the instrument for measuring the development of the human labor force, but also indicates the social relations with which labor is to be carried out." (Marx: "Das Kapital" Vol 1, p 204 People's Publishing House 1975 edition) But the decisive factor in the productive force is the labor force because the creation, use and improvement of the means of labor all depend on the labor force. The subject of labor is an essential factor in the productive force and is one of the important factors.

The question of whether the labor force in the productive force is made up of two or three factors also involves the question of whether or not the subject of labor is an essential part in the productive force. In the early period of the liberation of the whole country, a series of violent debates were held. Chen Boda and some Russian experts objected to my viewpoints on the three essential factors in the productive force discussed in "Introduction To the Teaching Program of Political Economy" (serialized in RENMIN RIBAO from October 1949 to January 1950, published by Xinhua bookshop in 1950). They all reckoned that the productive force consists of two elements and that the subject of labor is not a key element in the productive force. I upheld the viewpoint that the productive force is made up of three key elements. Chen Boda stopped me from teaching at Marx-Lenin College (the name for the party central school at that time) and stopped the publication of "Introduction to the Teaching Program of Political Economy" and I could not publish my views on the question of key elements in the productive force in the newspaper. In addition, Chen Boda organized meetings to criticize and intimidate me. Later, he wrote

a letter forcing me to change my viewpoint. In this way, I could no longer stay at the Marx-Lenin college and had no alternative but to request a transfer. After my transfer to the Central Propaganda Department, I continued to be excluded from the editorial department and was not given any work for a long time. In the great cultural revolution, the military control group of the former central propaganda department listed me among the reactionary gang. Differing views on academic questions were treated as political questions and for many years I was thrust aside and attacked. This was really deplorable! Only after the "gang of four" had been smashed did I find an opportunity to speak.

I think that the subject of labor should be included as a key element making up the productive force. Labor cannot be carried out and no product can be manufactured in plants without raw materials and in places without mineral deposits. Productive force without the subject of labor is only potential productive force and cannot realized. We really suffered a lot when there was a gap in the supply of raw materials in the course of drawing up plans and when factories were built blindly without guaranteeing a source of raw materials. The quality of raw materials, the amount of mineral reserves, the time chosen for hunting wild animals and gathering plants and the nurture of good breeds of animals and plants and so on have a tremendous bearing on the quantity and quality of the products. Comrades in factories or engaged in work in the countryside know this very well. [HK200736] The increase in the amount of the subject of labor, the improvement in the quality, the increase in the number of species, the expansion of scope are not only the outcome of the development of the productive forces but also essential elements in the development of the productive forces. The means of labor is certainly an important element in the composition of the productive forces, but we should see that before it plays a role in the labor process, the means of labor must first be processed as a subject of labor and turned into a means of labor in an earlier labor process. In the course of playing its role, the means of labor is also taken as the subject of labor in minor and medium-scale repairs and general overhauls. The labor force, means of labor and the subject of labor must be appropriately combined before they can form an actual productive force. Only when they are combined can the productive forces and the relations of production form real social production and form the basis for complete social livelihood and even the entire actual history. Thirty years of practice in economic construction has already fully proved this point. Productive force without the subject of labor can only be potential productive force. How can it determine the relations of production? How can productive force without the subject of labor be combined with the relations of production? How can it form real social production?

It can thus be seen that whether productive force is made up of two or three key elements, that is to say whether it includes the subject of labor or not, is definitely not a dispute about words but is a question of theory and practice which has tremendous significance in developing the social

productive forces and realizing the four modernizations. It is therefore necessary to clearly distinguish right from wrong by letting a hundred schools of thought contend and unify thinking so as to help socialist modernized construction.

How can we develop the productive forces? How can we accelerate the development of social productive forces and speed up the four modernizations within the relations of socialist production? This needs to be further investigated in conjunction with the practice of social production in our country.

II

Let us further analyze the three composite key elements of the productive forces below.

First let us talk about the productive forces. Our country has the largest population in the world and there is no problem about the size of the labor force. However, there is the problem of improving the quality of the labor force. Following the development of social production and within the realms permitted by the level of social production, we must constantly improve the living conditions, working conditions, education and training of the workers so that the physical strength, scientific, cultural and technological level of the workers are constantly improved and raised so as to meet the demands of the four modernizations. At present, we must actively and properly handle the question of work and employment for young people and bring into play the role of this part of the labor force.

Under the conditions of the fixed number of workers, the invariable state of their physical strength and the fixed labor skills and technological level, the effectiveness of the force is determined by its organization. Labor organizations can be divided into simple cooperation and complex cooperation (there is division of labor in cooperation). If the labor force is appropriately organized and properly arranged, these two labor organizations can exert a greater force than the total force of the individuals added up. Marx pointed out that it "created a productive force and the productive force itself must be a collective force." (Marx: "Das Kapital," Vol 1 p 362) On the contrary, if the labor force is not appropriately organized, there will be wastage and loss.

The above is discussed in light of the fixed and invariable conditions of the means of labor. In reality, in the history of human society, the means of labor has changed and improved constantly. Owing to the improvement of the means of labor, labor organizations must change accordingly. Only this can push the development in productive forces forwa·d. In the history of human society, we have already progressed from the form of primitive collective labor to individual labor, from individual labor to collective labor,

from small collectives to large collectives and even larger collectives. Meanwhile, this process is also accompanied by the evolution from small production to large production and even larger production. This is the general trend of development and there are twists and turns in between.

Let us talk about the means of labor again. Human society has gone through several eras from the use of simple tools to more complicated tools, from tools to machines, and from simple machines to complicated machines. Automated mechanical systems controlled by electronic computers are now becoming more popular and they are improving every day. In addition to the three existing parts in the machines--motor, drive system and tool or function--another, new part is being added: command and control systems. These advances in the means of labor have brought about tremendous improvements in the productive forces. At the present stage, the level of social productive forces in our country is still relatively backward. There are advanced and relatively advanced mechanical installations in industry, but the quantity is not large. Moreover, some parts have not been linked up to form a whole. There is a large quantity of relatively backward mechanical installations and a considerable number of manually operated tools. There are a certain number of agricultural machines for use in agriculture but manual tools are generally used in the vast countryside. Therefore, in developing the social productive forces in our country, it is necessary to increase advanced mechanical automation. [HK200737] However, in light of the actual conditions of the large population and backward economy in our country and the limited financial and material resources, not all enterprises can use advanced mechanical installations instantaneously and there can only be the integration of advanced mechanical installations with backward mechanical installations. On the one hand, we must use advanced mechanical installations in key point enterprises (this has to start from the actual conditions in our country in conjunction with the existing technical base in our country) and on the other hand, we must tap reserves, renovate and improve the large number of existing mechanical installations, constantly raise the level of mechanization, gradually realize automation so as to raise production efficiency and economize on the consumption of raw materials and energy resources. We must bring into full play the role of these installations and use such installations to produce modernized products. It is necessary to properly maintain and service the mechanical installations and raise the rate of perfection of the installations. In order to guarantee the normal operation of mechanical installations, it is also necessary to organize the production of the spare parts and rectify the phenomenon of only placing emphasis on the production of the main machines but neglecting the production of spare parts. In an enterprise or workshop, it is necessary to do a good job of organizing the division of labor and cooperation of the various mechanical installations, keep things in proportion, form a perfect or relatively perfect mechanical system and raise the utilization ratio of mechanical installations. It is necessary to promote coalition among enterprises, organize specialization and co-operation well and gradually change the "large and complete" and "small and complete" conditions so as to fully utilize the productive capacity of the mechanical installations.

Let us now talk about the subject of labor. It has been mentioned above that the subject of labor can be divided into two parts: the naturally existing part and the part processed by human labor. Labor after all is naturally occurring at first. The naturally occurring part is only a potential subject of labor. It can only be controlled and used by mankind and can become a real subject of labor once it has been subjected to the process of labor. Only this real subject of labor is a key element in the productive forces. The naturally existing subject of labor can again be divided into natural resources of the means of livelihood and the natural resources of the means of labor. Marx pointed out, "In the early period of civilization, the first type of natural resources had decisive significance, while the second type of natural resources had decisive significance in a higher stage of development." (Marx: "Das Kapital," Vol 1, p 362) In order to speed up the development of the productive forces, we must ascertain the conditions of natural resources in our country as soon as possible (soil, forests, wild animals and plants, sources of water above the ground and under ground, hydraulic power, mineral reserves and so on). The distribution of natural resources in our country is one of the important factors in considering the layout of the industrial and agricultural productive forces and production in ou country. When building mines, we must clearly determine the extent of the mineral reserves. We must extract coal where there are coal mines worth mining and iron ore when there is iron ore worth mining and so on. In building plants, it is necessary to consider the source of raw materials. We can carry out normal production only when there is a guarantee of sufficient supplies of raw materials. In planting crops, it is necessary to consider the natural conditions of soil, climate, water sources and sunlight. Our country has relatively abundant resources but, on account of its vast population, from a world viewpoint, it can only be considered as a country with moderate natural resources. It is therefore necessary to extract the resources on a rational basis and make comprehensive use of the natural resources in our country, seriously protect the ecological balance in nature and solve the problem of environmental pollution. It is necessary to seek or nurture those resources which our country lacks, actively study the use of substitute materials and organize the required imports. We must not be content with the present state of affairs and neglect our descendants and must not indiscriminately waste resources.

The proportion of processed raw materials in the entire subject of labor will increase day by day. The quantity, quality, specifications, variety and scope of raw materials have a great bearing on the development of the productive forces and production. When the state, local organizations and enterprises chart the economic plans and carry out production, they must pay full attention to this aspect and rapidly change the situation whereby the production of raw materials lags behind that of the processing industries in our country.

In short, it is necessary to fully recognize the importance of the subject of labor in the development of the productive forces and production and act according to the laws of economic movement and natural laws. Only in

this way can the process of production be carried out in a normal way and the productive forces and production develop smoothly and effectively. If we do not attach importance to the subject of labor, we will run counter to the natural laws and the laws of economic movement, such as prospecting, designing, constructing, producing and building unnecessary mineral resources, building plants when the required raw materials are lacking, indiscriminately felling trees, blindly reclaiming land from lakes and the sea, disturbing the ecological balance in nature, and causing soil erosion and so on. All this will cause tremendous losses and waste to the country and the people.

[HK200738] Let us take another look at the motivating role played by the improvement and development in natural science and technology on the productive forces. Natural science is the science of nature and the laws governing it. It is the theoretical generalization and summing up of productive practice and scientific practice in human society. When natural sciences are applied to the various production departments, they become various technological sciences. Advances had already been made in natural sciences and technology before the advent of capitalist society. However, these advances only prepared the way for enlarged capitalist production. Only in the period of enlarged capitalist production can we see the speedy development of natural science and technology and their gradual systematization. Marx called all scientific work, all discoveries, all inventions "General Labor," (Marx: "Das Kapital," Vol 3, p 120) and called natural science the "General Social Productive Force." (COLLECTED WORKS OF MARX AND ENGELS, "Theory of Surplus Value," Vol 26, p 422)

Natural science and technology basically come from the production practice of the working people and revert to the production practice of the working people after summation and improvement by scientific workers and become the force which pushes the practice of production forward. Through new production practices, new summations and improvements can be carried out and applied in the production process. In the development of human history, this is how production practice and scientific technology promote a reciprocal and constant advance and progression.

The integration of natural science and technology with the labor force increases the scientific and technological knowledge of the workers and improves the production skills of the workers. In order to speed up the development of the social productive forces, it is necessary to generally raise the modern scientific and technological level of the workers and train a great number of scientific and technological experts required in the realization of the four modernizations.

Applied to the production of production tools (not to mention their application to the production of the means of labor), natural science and technology can improve and even cause revolutionary changes in production tools.

This has been mentioned above in the discussion of the development from tools to machines. Owing to the invention and improvement of machines, and in particular the automation of the production process by electonic data control, space techniques, high and low speed accelerators and the application of laser technology in production, the productive forces can be increased several times, scores of times and even several thousand times. These are the individual productive forces. Social productive forces cannot be increased as much as individual productive forces. An increase in individual productive forces is gradually extended to other aspects in social production. The increase in productive forces has at the same time improved natural sciences and technology.

When natural science and technology are applied to nature, they can increase the natural production forces (such as improvement of seeds in agriculture, the raising of superior breeds of animals, the discovery of the properties of minerals, the opening up and utilization of natural resources, the use of scientific satellites, earth satellites and meteorological satellites in agricultural production and so on). In the natural forces, wind force, hydraulic power, steam power, electricity, petroleum and natural gas have already been used by people. Some are still waiting to be used by people (such as the various natural forces under research and in particular, controlled thermonuclear fusion and so on). Some are awaiting even wider application (such as solar energy, atomic energy, tidal energy, geothermal energy, marsh gas and so on). These natural forces must first be controlled and used by people as subjects of labor before they can play their role as motive forces. The gradual use of these natural forces will inevitably greatly increase the productive forces.

At present, it is necessary to pose the question of synthetic materials and genetic engineering in relation to the subject of labor itself. There are abundant resources of synthetic materials. The prices are low, the uses are varied and the properties are fine. They have gradually replaced some traditional metal and nonmetal materials and there is a great future for their development. In the manufacture of synthetic materials, we are taking the path of designing new synthetic materials according to stipulated properties. Ideal and suitable new synthetic materials are designed to meet the newer and higher demands placed on materials by modern, new industries. The present revolution in production technology is not only manifested in the technological revolution and changes in the means of labor but also in the revolution and changes in material technology. Genetic engineering can transform living things according to people's requirements and transfer the genetic matter in one living organism (DNA) to the living cells of another organism so that the latter has a new genetic feature, or create new organic species so that agricultural production and even industrial production can be increased by a large margin. We should, according to the actual conditions in our country, speed up the development of synthetic materials and study of genetic engineering and apply the achievements of research to production to meet the demands of the four modernizations.

The development of the productive forces and the technological level and skills of the workers played a dominant role in the period of handicraft industry in the workshops. The improvement of the technical level and skills of the workers and the development of the productive forces were prominently manifested in the revolution of the means of labor and in particular in the revolution of production tools in the industrial revolution in the eighteenth century. Tools were developed into machines and machines were gradually perfected. [HK200739] In the present era, in addition to the development of the productive forces, the improvement in the technological level and skills of workers and the development of production tools which continues to play an important role, the revolutionary changes in the subject of labor (particularly synthetic materials, genetic engineering and so on) are also playing an increasingly important role with each passing day.

In the history of human society, although the development of some forces is rapid and the others is slow and circuitous, there is generally a constant forward development. Recently, natural science and technology have played a more and more important role in the development of the productive forces.

The application of natural science and technological installations in subsidiary agriculture has prompted the development of the productive forces in subsidiary farming. In the mining industry and communication and transportation, the use of natural science and technological measures will give impetus to the development of their productive forces and raise their working efficiency. More advanced scientific methods and techniques will play a greater motivating role in promoting the productive forces and at the same time prompt the progress and further advancement of production and thus the constant advancement of the social economy. The key link in the four modernizations lies in the modernization of scientific technology. We must, on the basis of the development of the productive forces, energetically develop science, education, culture and health and accelerate the training of constructive personnel so that the science and technology in our country can approach or catch up with advanced world levels. In the course of developing scientific undertakings, it is necessary to properly handle the dialectical relations of the unity of opposites between basic theoretical research and applied technical research. We should not pay attention to only one side and neglect the other but must properly integrate the two. In the development of scientific technology, we must, under the prerequisites of independence and self-reliance, actively develop academic interchanges and international exchanges, import foreign advanced technology in a planned way and digest, absorb and improve imported technology. Studies from foreign countries must be combined with our own original creation.

III

We have examined the three key elements in productive forces above and their roles and the conditions of the integration of scientific technology with these key elements. These three key elements of productive forces

must be integrated before they can become actual productive forces. If these three key elements are properly integrated, their strength can be brought into full play. If they are not properly integrated, they will be restricted in bringing their strength into play. The amount of restriction is determined by the degree of integration. If they are to be properly integrated, these three key elements must conform with one another and there must be a proper proportion among them. Conformity with one another means that the skills of the labor force, the nature of the means of labor, the specifications, variety and quality of the subject of labor must conform with one another. A proper proportion means that under the existing technological conditions, there must be a harmonious relation between the strength of labor forces of various types, means of labor and subject of labor. In addition, the proportional relations must change according to the constant advancement in science and technology. If attention is not paid to this aspect, there will be obstruction in the development of productive forces and tremendous losses. There are mainly two aspects in the problems of the integration of the labor force, means of labor and subject of labor. First, there is too much general labor force. Compared with the means of labor, there are too many general production workers, and in particular administrative staff. However, there is a shortage of personnel with a higher technical level and labor skills in the various trades and industries. Moreover, there are cases where vocational training is not geared to the requirements and what has been learned cannot be applied. Second, there are insufficient raw materials, fuel and motive force and some raw materials and fuel are of poor quality. The specifications and variety cannot meet the demands and this affects the development of productive forces and the normal production. Owing to the shortage of fuel and motive force, many enterprises are operating under capacity. Owing to the shortage of raw materials, many plants have to stop work and wait for supplies. This has caused tremendous waste of manpower, material and financial resources, greatly increased the production costs and hindered the development of productive forces and production. These conditions should be rapidly changed step by step.

In order to accelerate the development of social productive force, there must be a proper proportion in the distribution of its three key elements in the various production departments. There must be a proper proportion before there can be speedy development in social production because the various production departments are interrelated. They restrict one another, help one another and push one another forward. According to the basic socialist economic law and the law of planned and proportionate development in the national economy and the actual economic conditions in our country, we must readjust the serious imbalance existing in social economy and realistically achieve a general balance before social production can continuously and rapidly develop.

In order to speed up the development of social productive forces, the various key elements must be rationally distributed in the various regions throughout the whole country. [HK200740] According to the natural, historical and social conditions and the needs of developing economy, politics and culture and consolidating national defense in various places in the country, we must both look ahead and look back and comprehensively

consider the rational layout of productive forces in the various places in the country and properly arrange the division of labor and cooperation of the various places so as to help the proportionate and speedy development of productive forces in the various places throughout the country.

In order to speedily develop social productive forces, in addition to the consideration of the productive force itself, it is also necessary to use the law of the unity of opposites between productive forces and relations of production, which means that the productive forces determine the relations of production and the relations of production must conform to the development of productive forces. We must, according to the needs of the development of productive forces, adjust the relations of production so as to conform with and speed up the development of social productive forces. In addition, we must make use of the law of the unity of opposites of the economic base and the superstructure. We must adjust the superstructure according to the constant development and improvement of the economic base, which is the sum of the relations of production, so that the superstructure conforms with and speeds up the development of the economic base, and through the economic base, speeds up the development of productive forces. These questions need to be further studied. Finally, we must emphatically point out that the Chinese Communist Party is the nuclear force leading the socialist undertaking. Basically speaking, without party leadership, we cannot have all the things in modern China. We must strengthen and improve party leadership and increase the combat power of the party so as to overcome the various obstacles in the realization of the four modernizations. This is the most important guarantee for the smooth carrying out of socialist modernized construction. Only under the leadership of the Chinese Communist Party can we accomplish the general tasks in the new period and realize the socialist modernizations.

(This article has been compiled with the assistance of Comrade Wang Yiwei, June 1980)

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VIEWS ON HOW TO PROCEED WITH INDUSTRIAL REFORM GIVEN

Initiating Total Reform

Beijing GUANGMING RIBAO in Chinese 2 Aug 80 p 4

[Article by Sun Xuewen [1327 1331 2429] and Sha Jicai [3097 0679 2988]: "Talking About The Problems Of Initiating Total Industrial Reform"]

[Text] There are at present two types of ideas about the problems of initiating industrial reform. One advocates first proceeding with expansion of enterprise autonomy, with subsequent adjustment, consolidation and organization of corporations, that is, to "take the organization of enterprise corporations as the breakthrough point in industrial reform." The other idea advocates first organizing enterprise-type corporations, with subsequent expansion of enterprise autonomy, that is, to "take the organization of enterprise-type corporations as the breakthrough point in industrial reform" This article contains a discussion of several of our modest opinions regarding this question.

For a long period of time, in our nation's industrial management system, there have been drawbacks from excessive concentration as well as shortcomings from over-decentralization. In expanding enterprise autonomy, the resolution of the problem of excessive concentration within the industrial management system and management methodology is of major importance. In the reorganization of industry and the establishment of enterprise-type corporations, the resolution of the problems of decentralization and disorder inherent in the mode in which industry is being organized is of major importance. These two endeavors are two critical substantial and component parts in our nation's industrial reform; they are proceeding in the right direction and both should be carried out conscientiously.

At present, pilot project work in expansion of enterprise autonomy has spread throughout the nation, with such experiments in industrial reform and creation of enterprise-type corporations underway in cities and provinces like Shanghai, Beijing, Tianjin and Liaoning. Looking at the experiences of the current experiments and speaking in terms of these two projects, we believe that in proceeding with total industrial reform,

the advance reorganization of industry and creation of enterprise-type corporations is most suitable. Specific grounds for this are:

1. An Advance Overall Expansion of Enterprise Autonomy With Adjustment Of Resulting Conflicts, Then An Advance Organization Of Enterprise-type Corporations Will Be Beneficial To Achievement Of The Readjustment Mission

Owing to the fact that there is serious economic dislocation proportionally among the citizens of our nation at the present time, "readjustment is the key link" in the implementation of the "eight point policy." If the proportional dislocation is not resolved, effecting an overall recovery of the entire domestic economy will be difficult. Presently, some are setting forth in response to the requirements and interests of local areas, departments and units, and as regards making adjustments and reorganizing, are just biding their time. After the autonomy of enterprises is expanded, all industries and enterprises must use all possible means to maintain original production, and even if product lines are long, quality is deficient, consumption (of energy, raw materials) is high, prices are high and losses are serious, they should be unwilling to shut down or stop production and thus seriously affecting the speed by which adjustment is progressing. Among present-day industries and enterprisee are some which urgently need development and also some which require adjustment or elimination. Because of this, and under these circumstances, a sweeping and indiscriminate expansion of autonomy for all is inappropriate.

As for the enterprises which require adjusting, it is not some question of "expanding autonomy." If we adopt the measure of concentrating those industries and enterprises which are decentralized and organize enterprise-type corporations according to the trades, it will be a form of reform which will undoubtedly be beneficial for achievements in adjustment and in advancing the domestic economy. This is because in organizing corporations according to the trades, there is a possibility that the corporations can quickly deduce the requirements and situation concerning production with respect to supply and marketing for said trades, as well as overall planning, comprehensive arrangements, preserving the positive and eliminating the negative and taking from the long to add to the short. They could apply determination to resolving the problems of long product lines, high consumption, high expenses, deficient quality, and serious losses, and carry out "closely coordinated" shutdowns and closures for enterprises and goods so that there would be no need to be worried or softhearted. Total redistribution can be carried out within the trades with regard to equipment, facilities, factory buildings and personnel made available through readjustment, and a fairly beneficial result could ensue.

2. An Expansion Of Enterprise Autonomy With Rectification Of Contradictions Arising From "Large And Complete" And "Small And Complete," Then Establishment Of Enterprise-type Corporations Will Be Beneficial Toward Resolution Of The Problems Of "Large And Complete" And "Small And Complete"

At present the proportion of "large and complete" and "small and complete" composite "all-purpose plants" is very great in our nation's industries and enterprises. There are many evils in these "large and complete" and "small and complete" types: one is that capitalization is expanded, and many unnecessary equipments and facilities are added; a second is that large-batch production, is changed into diversified small-batch production, bringing about a diminished utilization of equipment and facilities and diminished labor output and production; third, they are not conducive to the adoption of high-efficiency specialized facilities and advanced techniques or advanced technology, so that a situation is readily created where industry and production are over-fragmented, quantities are low, quality is deficient, and prices are high. This situation of "large and complete" and "small and complete" is a major obstacle blocking our nation's realization of the four modernizations. However, subsequent to the expansion of autonomy for enterprises, most are unwilling to effect exchanges of their own various equipment and facilities, work processes, miscellaneous fittings and concerned personnel, and reorganize industry according to the principle of cooperative specialization. This is because the enterprises believe that once these exchanges are made, they no longer have their former high proficiency. Additionally, many matters require help from other people onto which is added the fact that at present the tax system has yet to be reformed, and when a cooperative plant is added, a source of tax revenues is also added, resulting in reduced profits for the enterprise. The enterprises all want to act as the "base angle" rather than the "complementary angle" and thus they all wholeheartedly want to support the original "large and complete" and "small and complete" situation. At present, considering the interests of the departments and locations of the rewly-established enterprises, the majority persist in a desire to operate on a basis of the "all-purpose plant." It can be seen that by beginning with the expansion of enterprise autonomy, no help is given to the resolution of this problem, and on the contrary the problem is solidified. Only through organization of enterprise-type corporations will it be possible to perform a total overhaul and changeover to specialization, amalgamation and changeover of products, and only then can small-scale production become large-scale production, small-batch become large-batch, the superiority of cooperative specialization be brought into full play and productive force greatly developed.

3. If Contradictions Result Between (Policies Of) Expansion Of Enterprise Autonomy First And Rational Disposition Of The Productive Force Of The Whole Society, Then Organization Of Enterprise-type Corporations Will Be Beneficial Toward Resolution Of This Problem

An important policy which our nation should adopt in carrying out the four modernizations is to make a rational disposition of the productive force in society, have the advanced plants "get all they can eat and go ahead at full throttle," and have the backward plants rehabilitated or gradually eliminated. If Expansion of enterprise autonomy is first, all enterprises will compete with each other in production; this could create a situation where large plants don't "get enough to eat" and the small plants continue

to operate. Although this shows that there will be enthusiasm subsequent to expansion of enterprise autonomy, a certain number of enterprises nevertheless pay no heed to production capability and proceed blindly with their business. At present, in order to solve the problem of "not getting enough to eat," some enterprises are ignoring the direction (being taken) by the product lines and are not giving consideration to whether or not their technologies are similar. They want to do everything, go everywhere for blueprints and once they get them they go into production. In this way the plant which originally produced this type of goods has nothing to do and as a result it is of no benefit to the bringing into play of the facilities capability and production specialties of the two units, and moreover the quality of the products cannot be assured. If initially the organization of enterprise-type corporations is begun, with as bases those enterprises which have large, "backbone" or totally advanced facilties, and then the medium and small enterprises of similar trades are organized, and they proceed with division of work, cooperation and specialized production, the function of advanced plants and advanced technologies and facilities can be fully brought into play. With regard to those backward plants, some are amalgamating and effecting a changeover of products, some specialize in production of miscellaneous fittings, some carry out preventive maintenance for large plants, each having a proper role to play and bringing that role into play.

Since enterprise-type corporations have a unified plan, it is unlikely that newly-established enterprises and plants would continue to carry out duplicative or blind production. In setting up corporations it will be possible for enterprises to fully bring into play their basic role to realize the four modernizations and for there to be a rational distribution of production. This is an achievement which cannot be made by first proceeding with expansion of enterprise autonomy.

5. If Contradictions Exist Between The Expansion Of Enterprise Autonomy And Reduction Of The Capital Construction Front, Then Organization Of Enterprise-type Corporations Will Be Beneficial Toward Resolution Of The Problem Of an Excessively Long Capital Construction Front

For the past two years, in order to adjust the entire domestic economy, the nation has resolved to reduce capital construction investment and scope. However, there has been great growth in departmental and local unprogrammed projects. Based on what is known, at the end of the year before last 65,000 capital construction projects, along with 39,000 modernization or rehabilitation projects, had been approved by administrative organs at various levels. Based on the possibilities allowed by presently available financial and material resources, it would take ten years for all this construction to be completed. Of projects included in last year's planning which were requested to slow construction, nearly half have not been slowed, and unprogrammed projects are springing up everywhere.

Looking at the capital construction front as a whole, it has not been reduced, but has been enlarged. One of the reasons for this is that since

the division into different levels of financial administration and the expansion of enterprise autonomy, localities and enterprises have had fixed financial and material resources, added to which is the routine surplus labor force of the enterprises. Thus there is high enthusiasm for funding for capital construction planned by themselves and projects constructed by themselves have grown sharply in number. While matters continue in this vein, the previous adjustment mission is unaccomplished and now a new adjustment mission has arrived. If we first organize enterprise-type corporations, the blind construction and duplicative construction by enterprises can be avoided to a certain extent. This is because when multitudinous enterprises are formed into one corporation, all of the plants, workshops and welfare agencies belonging to the corporation can first extract latent energy, fill up the gaps and make full utilization within the corporation itself and engage in new construction, rehabilitation or expansion based solely on genuine needs. (The corporation's) capital construction mission will certainly be much less than that of individual enterprises operating "all-purpose plants."

In summary, by first proceeding with reorganization of industry, and establishing enterprise-type corporations, and on this base then carrying out an overall expansion of corporation and enterprise autonomy, the long-standing problem of excessive decentralization of industrial management can be resolved. In addition, it will be beneficial toward the resolution of excessive centralization as well, and economic achievements can then be furthered, with benefit to the advancement of achievements throughout the domestic economy. But if first the enterprise autonomy is expanded, the simultaneous generation of these two functions will be difficult. Because of this, we hold that in a period in our nation of major industrial reform, the comparatively more rational program is to first proceed with organization of enterprise-type corporations.

Market Information Center

Beijing GUANGMING RIBAO in Chinese 2 Aug 80 p 4

[Article by Shi Jianqiang [4258 1696 1730]: "There Are Many Benefits To Be Had From Setting Up A Market Information Center"]

[Text] So as to meet the needs of combining planned adjustment and market adjustment, the Hunan Province Commodities Bureau Production Service Corporation has established a commodities market information center on Wuyi Middle Road in Changsha City. The information center has gathered information on the status of surplus stockpiled commodities resources valued at more than two trillion fifty million yuan at more than 200 plants, mines and other enterprises. After these data underwent arrangement in different categories, close to 10,000 "suppliable commodities cards" were filled out according to type of goods, specifications, and model. If a customer has a need to buy a certain type of commodity, only a few minutes' time is required to refer to the cards and to ascertain whether

the item is available and, if so, where. This takes the place of sending a person, telegram, or letter, as was done formerly.

At a site of the Fenghuang County Scientific Committee located in the far west of Hunan, there was an urgent requirement by a scientific research project for two 900x2700 ball mills, and a person was sent to this information center to seek assistance, where this problem was resolved after only a few minutes' time was expended. The construction directorate for several research institutes of the Hunan Province Scientific Committee had an urgent requirements for two 6JD 55x6 deep-well pumps and two JLB 262-2 15KM motor generators, and sent a person to this information center to seek assistance. However, deep-well pumps are not produced in the province and this model of generator was not available. The comrades at the information center sought assistance outside the province with the result that the resolution of the problem was achieved very quickly.

There are considerable advantages to establishing a commodities market information center. One is that by gathering resources (data), matters are made convenient for the customers. In the past, owing to the fact that resources were scattered in a thousand locales, an enterprise needing to buy an amount of a commodity had to run east and west, searching in the blind. Now, when a customer needs a commodity, he need only come to the information center to refer to the cards, can get a response quickly, and can enjoy a selection and purchase on the spot or in the vicinity.

Second is that it links up (trade) channels and acts as a go-between. In the past owing to the fact that these channels were not linked up, A could have a surplus with no market and B could have an urgent requirement but not know where to look. Now, the information center both promotes sales for the enterprises and also launches searches for items to satisfy urgent production requirements and is effective in the role of middleman. Third is that market status specifies are beneficial to market adjustment. The information center not only has on hand resources volumes, types of goods, specifications and models, but moreover has information readily available on the trend of commodities in the market, and the supply and demand situation. This furnishes reliable bases for production and planning departments in their disposition of production and ordering of goods.

Fourth is that expenses are conserved and procedures are simplified. At the information center, personnel are few, funds are great and unwarehoused resources are numerous. For resources valued at more than two trillion fifty million yuan, there is only one building and a few people to manage them. Resources are furnished by the information center, and accounting procedures are accomplished there as well. According to regulation, a one percent service commission is collected. If there is no requirement for accounting, as in the case of various odd-lot commodities, information can be furnished free of charge with the handling of procedures being accomplished directly by the customer at the point of supply.

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FINANCE AND BANKING

BANKS CAN PLAY ROLE IN PROMOTING SOCIALIST PRODUCTION

Shanghai JIEFANG RIBAO in Chinese 23 Jul 80 p 4

[Article by Hong Jiaguan [3163 5521 4619]: "Banks' Leverage Function Should Not Be Ignored"]

[Text] If the national economy is compared to a flowing stream, then currency is the running water of the stream. Making the fullest use of the function of currency in society is helpful in keeping our national economy lively. Banks are the organizations that specialize in the management of currency flow, and making the most of the role of banks can promote the realization of the goals of socialist production.

Marx was extremely attentive to the role of the banks in society. In discussing the banking system, he said, "During the period of transition from capitalist production methods to unified work production methods, the credit system can function as a powerful lever." ("Complete Works of Marx and Engels," Vol 25, p 686) The leverage function of socialist banks on the economy is embodied principally in three areas. The first is the distribution of credit funds, whose effects include embodied labor and human labor's total amount of social labor distributed to every sector of the economy, thereby helping form a correct proportion. The second is direction and control of the economic activity of business enterprises through economic interests, paying attention to economic benefits so that enterprises will not stray from the goals of socialist production while developing production. The third is application of the economic medium of currency to stabilize finance, stabilize prices, raise all kinds of funds, and regulate the direction of the flow of currency and funds so as to ameliorate and raise the people's livelihood. All of these banking functions are intimately related to the goals of socialist production. When these three functions are used well, they can, by flowing through an area, assure the realization of socialist production goals.

After liberation, China's banks played a very good role in promoting realization of socialist production goals, and once the transformation of ownership was virtually complete, their function in this regard declined. In 1958 when the slogan "Bank loans as needed for industry to product and commerce to produce" was put forward, bank credit actually became a supply system, which caused the banks to lose the regulating function they should have exercised on the economy and on production. Whenever planned work failed.

failed, the banks not only could not promote proportional adjustment to satisfy the needs of the people's livelihood, but they instead helped the proportional imbalance to grow--to the impairment of the people's livelihood. During the rampage of the "gang of four," the banks were unable to carry out their functions in the management, use, and flow of funds. Whenever anything at all was done, it was branded a "purely capitalist view," and every measure that was of use in enlivening the economy was considered to be "a departure from the classics and a rebellion against orthodoxy." Whenever one wanted to do something to improve the livelihood of the people, it too became subject to all kinds of restraint and limitations. Though branch banks were spread throughout the country, and even though the water in the socialist economic stream flowed on and on, it could not be used to irrigate or enrich the fields.

Now that the national economy is to undergo readjustment and the system of management is to undergo consolidation, there is a need and the conditions exist to make full use of the banks' leverage to promote the realization of socialist production goals. The banks have also begun to do some work in this area, and they have made definite accomplishments. For example, they have destroyed the former rules and regulations about healing only with circulating capital business, making medium and short-term equipment loans to promote a readjustment in proportional relationships. Through differences in interest rates, they have promoted the rapid circulation of capital in enterprises so as to increase the economic effectiveness of loans. They are preparing to operate a trust business to promote the integration of various economic components and to raise idle funds from every quarter in order to support the development of the light textile handicrafts industry. For a rather short period of time in the past, banks were placed in the position of being part of production, lopsidedly emphasizing that the economy determines finance and that production determines distribution and flow. In the future, this situation must definitely be changed, with the banks bringing into play through their own professional activities a role in combining planned regulation and market regulation. In using leverage, it is necessary to pay attention to the position of the fulcrum, the point of force, and the point of load. Application of the economic leverage of banks also requires making every effort to do what is suitable, skillful, and effective. We should use banking operations to carry the load of development of commodity production, expand commodity flow, and promote the realization of socialist production goals, and we should check on how well the banks fulfill their tasks.

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FINANCE AND BANKING

QUESTIONS, ANSWERS ON ECONOMIC LEVERAGE OF BANKS

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 5, May 80 pp 16-17

[Article by Yu Ruixiang [0827 3843 4382]: "Several Questions Concerning the Economic Leverage of Banks"]

[Text] With the shift in the entire party's work emphasis in the wake of the Third Plenum of the 11th Party Central Committee, and the thorough implementation of a program of readjustment, restructuring, consolidation, and improvement, more and more people have become aware as the result of experience that in the process of realizing China's four modernizations, making the most of the banks' economic leverage role is an extremely important issue.

What Is the Economic Leverage Function of Banks?

What is the economic leverage function of banks? Briefly it is the professional activity of banks in playing a promotional, supervisory, and regulatory role in the national economy, leading economic units to undertake production and circulation of commodities in accordance with state plans and social needs.

The economic leverage of banks is determined by the nature of the bank and its position in the national economy. In a capitalist economy, banks use the credit supply and the amount of loans, limitations on the length of loans, and interest rates to enterprises as a means of guiding the means of production and the labor force to shift to different sectors of the economy, to promote the averaging of profits, and to make rough automatic adjustments to the proportional relationships in the national economy so that the capitalist economy will develop smoothly. In a socialist economy, the function served by the economic leverage of banks is much more beneficial than in capitalism. First of all, the banks take public ownership of the means of production as their foundation, and individual economic sectors have no fundamental conflicts of interest. In their professional activities, banks have none of the restraints of private benefit, so they are able to act genuinely in accordance with state programs and policies and with the requirements for overall balance to coordinate, control, and guide

economic activities. Second, the state banks are the sole organizations for the issuance of currency. They are the nationwide starting point and resting place for the flow of cash. By using money receipts and settlement of transfer accounts, the banks can take control of the rise and fall of monetary action in society. Third, the banks are centers for credit throughout the country. The circulating capital used by enterprises is provided to a large extent by bank loans. By tightening or loosening control over loans, or by issuing and recalling them, the banks can have a powerful effect on the economic sector. Fourth, the banks are spread in cities and villages throughout the land, and they have regular professional dealings with individual economic units, which are permeated by the banks' professional activities. The banks are not only able to reflect the situation in an enterprise, they are also able to reflect the situation in a region or throughout the country, or tendencies toward change throughout the entire national economy. The people term this overall reflectivity of the banks the national economic "thermometer." This "thermometer" is an indispensable instrument for bringing into play the leverage of the banks.

Lenin paid extremely close attention to the regulatory function of banks in the economy. Early on in the October Revolution, he said: "Bank policy is not limited to the nationalization of banks, but there must be a gradual, albeit steady, transformation of the banks into unified accounting organizations and regulatory organizations to regulate economic life throughout the country in accordance with socialist organization."

Looked at in terms of the realities of bank operations in our country at present, we are still a long way from the requirements that Lenin proposed.

How Do Banks Exercise Economic Leverage?

How do banks fully exercise leverage to regulate the economic life of the society? As a result of many years' experience, proper handling of the following relationships is of major significance.

1. Correct handling of relationships between banks and the state economic plan. Socialism is a planned economy in which each individual sector of the national economy, including banks, must obey a unified state plan. This must be adhered to. The problem lies in the plan's being a plan that cannot be totally accurate and cannot include everything under the sun. Regular adjustments to the plan are therefore necessary, and attention must be given to bringing into play the supplemental functions of the marketplace. Consequently, in the course of their professional activities the banks must strictly and conscientiously carry out the plan, and not simply handle matters mechanically according to plan. When the plan is in accordance with objective economic laws, embodies an overall balance, and provides substantial economic results, the banks vigorously support it. On the other hand, when the plan contravenes objective economic laws, is proportionately out of balance, and produces no dovetailing of supply and marketing, the banks do not support it. In the case of some market demands, production of

economic value, and construction projects, even when not part of the plan, the banks may give needed support depending on the market, materials, and funds. In short, the banks do not have to place themselves in a completely inactive and passive position vis-a-vis the plan, but should definitely play an active role to make needed revisions and provide additions to the plan. In the actual issuance of loans, whether to loan or not to loan, how much to loan, and the period of the loan must be decided by the banks on the basis of actual circumstances, and outside units have no right to interfere.

2. Correct handling of relations between banks and public finance. Public finance and banks are the two basic channels for mobilizing and distributing funds. These two channels fundamentally are mutually restraining and mutually complementary. However, in long years of experience the banking channel has not been applied well, and banks have always occupied a subordinate status. According to the existing public finance and banking system, all of the net income from banking operations, except for a portion kept by the bank itself for accumulation, is handed over to public finance, and the increased loan funds that banks annually require are disbursed by public finance. For various reasons, however, public finance sometimes is not able to assure increased disbursement of needed funds. Even though a bank's annual profits may amount to more than several hundred million yuan, the bank's own accumulation is very slow, and the amount of funds it possesses is very small.

The subordination of banks to public finance is also revealed in the fact that the banks are always in a squeezed position. Frequently, capital construction squeezes public finance, and public finance squeezes the banks, and the banks issue banknotes. The several instances since the founding of the People's Republic in which there was a rather large amount of banknotes in circulation came about that way. As regards redistribution of national income, public finance looks after investment in capital construction and the normal circulating capital (i.e., quota funds) used by enterprises, and the banks look after seasonal and temporary circulating capital (i.e., funds in excess of quota). That is to say, all of the funds required by enterprises for further expansion of production, plus most of the funds used simply for additional production, all derive from investment by public finance. Bank loans solve only the need for small amounts of funds to maintain additional production. Banks are completely unable to do anything about expansion of production. This system binds the banks hand and foot. How can they regulate the economic life of society? It is necessary to untie the bonds that fetter the hands and feet of the banks and to do away with the practice of banks being able only to make loans of circulating capital but not being able to make loans for equipment needed to renovate technology, and to do away with the old conventions whereby banks can only make loans to business enterprises for production or circulation but are unable to make loans to labor or service units. Banks should support anything that helps develop social productivity, diversifies the market, increases income, produces economic benefits, or is a construction or labor enterprise. The greater the scope of bank's use of funds, and the better the results, the larger their economic regulatory function.

In order to meet the needs for funds for use in development, banks must actively expand their sources of funds and must, insofar as possible, amass funds lying idle in society. At the same time, they must broaden the power of their own funds. Some have proposed that all bank profits, except for a certain proportion passed upward to public finance, should be for the banks' accumulation and for direct use in the expansion of credit funds, in order to guarantee the need for loan funds for production and construction. This view merits consideration.

3. Correct handling of relations between banks and business enterprises. In order to use their economic leverage, banks cannot practice egalitarianism in their various professional activities, but rather they must act to encourage and restrain in accordance with state programs and plans; only in this way can they unify service and supervision. In the case of loans, they must practice, "discriminatory treatment, with support going to the finest," so that funds are used for the greatest needs of the marketplace and for maximum economic advantage. There are two levels of meaning here. One is the need for priority support to sectors urgently in need of development by the state and increased production of commodities in short supply. Second is priority arrangements for funds needed by enterprises that are well managed and make a great contribution. Sectors for which the state wants to control development, or enterprises where administration and management are in disarray, as well as those whose products find no markets, should have their loans tightly controlled by the banks or have loans halted, so as to force them to transform their production, improve their management and administration, and improve the quality of their products so that they will find a ready market. This is a major action that banks can take to make use of their economic leverage and regulate economic life. Of course, restrictions on bank loans to enterprises may increase their difficulties, but this is helpful in exposing contradictions and promoting a solution to them. Use of bank loans to protect backwardness and cover up contradictions is not good practice.

4. Correct handling of vertical relations within banks. Banks are the sole organization in the entire country for the issuance of currency. They are the hub of national financial activity, and the professional activities of banks branch out into every sector of the national economy. Therefore they must institute centralized and unified leadership. They cannot be decentralized. It must be realized, however, that the various professional activities of banks are handled by grassroots banks everywhere, and the nature of the subjective activity of these grassroots banks in their professional operations has direct implications for the development of banking operations. This point also has relevance to whether or not the economic leverage of the banks can be fully brought to bear. Consequently, bank administration and management should not be unified to death. Each echelon of banks, particularly grassroots banks, should have a certain amount of flexibility and necessary autonomy so that they can carry out their professional activities by adapting methods to local circumstances. For savings, loans, and interest, there should be arrangements that take account of the welfare of all. The

savings and loan [policy] should be that those who save the most get the most loans. Nor should interest rates be stereotyped by total and complete unification. There have to be different interest rates to encourage the advanced and lash the laggards. There should be some fluctuation in loan interest rates to give grassroots banks flexibility, depending on different objectives and different intentions, and give full play to the economic leverage of interest rates. Additionally, the operating accomplishments and the economic welfare of units and individuals should be combined to encourage everybody to work industriously and make a greater contribution.

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GUANGDONG HEAVY INDUSTRY ADVANCES WELL

Guangzhou NANFANG RIBAO in Chinese 29 Jul 80 p 2

[Article by Zhu Qi [2612 1142] and Li Lici [2621 4539 6337]: "Guandgong Province's Heavy Industry Advances in the Midst of Readjustment. Industrial Gross Output Value Increases by 3.1 Percent Over the Same Period Last Year, and One Major Group of Goods Shows Large-Scale Increases"]

[Text] During the first 6 months of this year, Guangdong Province's heavy industry registered new accomplishments even while readjustments to the national economy were in progress. Total industrial output value increased 3.1 percent over the same period last year, with large-scale increases in major commodities such as iron and steel, rolled steel, coking coal, non-ferrous metals, electric power, building materials, and chemicals.

In the process of readjustment of heavy industry, Guangdong Province first closed down, combined, or changed the output of those enterprises in which production conditions were not as they should have been, where the pattern of distribution was irrational, where consumption was high, waste great, and losses severe. The manpower, material resources and financial resources of these enterprises were put to use in like trades in more advanced enterprises so that the remaining enterprises would have enough work to do and could work at full speed to give fullest play to their productive capabilities. During the last half of last year, in addition to the combining of the Beijiang Steel and Iron Plant with the Shaoguan Steel and Iron Plant, a total of 63 shops, plants, and mines were closed throughout the province. These included small iron and steel plants, small nitrogenous fertilizer plants, small aluminum smelters, small electric furnaces, and small coal mines. During the first 6 months of this year, iron and steel and chemical fertilizer production throughout the province increased, nevertheless, from 10 to 20 percent over the same period last year. Following the closure of small nitrogenous fertilizer enterprises throughout the province amounting to one-sixth of all such enterprises, the number of liang of coal consumed per ton of ammonia produced for the entire industry between January and May, and the consumption of electricity declined 11.5 percent and 5 percent respectively over the same period last year. There was a remarkable

reduction in total loss figures, and profitable enterprises gradually increased. During the first 6 months, output of nitrogenous fertilizer from small plants increased by 11.3 percent over the same period last year. During the course of the readjustment in heavy industry, Guangdong Province was still able to give attention to readjustment of the composition of commodities produced and to the orientation of its production, taking the initiative in serving agriculture, light industry, and the marketplace. An example was when the Guangzhou Steel and Iron Mill and the Shaoguan Steel and Iron Mill ceased production of slow moving medium plate. The Shaoguan Steel and Iron Mill and a rolling mill for making thin 1.2 meter plate that had never gone into production, and which was coverted to making wire rods so that output of small rolled steel products during the first 6 months of the year increased by 37 percent over the same period last year. Non-ferrous materials, capital construction materials, and chemical raw materials necessary to the light textile industry also fairly well met the needs of production. Additionally, during the readjustment of heavy industry, Guangdong Province organized specialized and joint production in accordance with the production orientation of enterprises. This benefited the development of heavy industry itself. Formerly there were numerous enterprises within the same trade and industry that were either "big and complete," or "small and complete." Their technology was antiquated and numerous outfits produced the same goods. Quantities were small, quality was poor, and losses were heavy. Now a number of enterprises of similar types have been organized into various heavy industries and trades, and they divide up work and cooperate in accordance with their major specialties. This has raised the output level of the enterprises. A case in point is the Guangzhou Municipal Machine Tool Company, which after having instituted specialized cooperative production, organized several machine tool plants to produce machine tool spare parts for export, with the result that the number of machine tools exported by the Guangzhou Machine Tool Plant more than doubled.

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IDEAS ON REBUILDING OLD TIANJIN OUTLINED

Tianjin TIANJIN RIBAO in Chinese 8 Aug 80 p 2

[Article by Hua Wen [5478 2429]: "Accelerate the Pace of Rebuilding the Old City"]

[Text] Acceleration of the pace of rebuilding the old city is a major task in the building of a new Tianjin. I would like to talk about several views on this issue for the consideration of the authorities concerned.

1. First of all, it is necessary to uphold the principle of linking the rebuilding of the old areas and the building of satellite cities and towns. There are difficulties in looking only at the rebuilding of the old city, and in placing work emphasis on the development of the city toward fringe areas must inevitably lead to an irrational expansion of the present pattern, which will make the city larger and larger, will take up a lot of agricultural land for no benefit, and will cause a whole series of hardships in the lives of the people. The result will be expenditure of considerable investment for inconsequential changes in the appearance of the city with the people being unhappy! Unless there is study and construction of new satellite cities and towns to make use of the numerous practical and living advantages in winning over the masses, then the rebuilding of the old city will always be a paper exercise. Consequently, my idea is a combination of the two, with the one complementing the other rather than doing one at the expense of the other. There can be a distinction on emphasis and on priorities at the time of implementation.

2. Make clear that construction of satellite cities is for the purpose of rebuilding the old city, and controlling, and suppressing urban population. Therefore, satellite cities must completely embody the basic requirements for modern cities from planning to building, to administration. This means at the very least that they must be better constructed than the old urban area, be more appealing, and not be inferior to the old urban area in supply or policy. The two points are explained as follows: first, in the construction of satellite cities, it is not desirable that all will bloom at the outset, but rather that investment be concentrated

on the completion of one or two, both to serve as models and as experiments. Second, the industry located in the satellite cities should not be solely of a single kind. The lessions of experience should be absorbed.

3. Construction of a new Tianjin should be done with large strategic objectives in mind, with emphasis going to the construction of cities and towns in suburban counties. The placement in cities and towns in suburban counties of agricultural sideline processing industries and handicraft industry production is envisaged, in the main. If a great change occurs within 10 years in the countenance of cities and town in suburban counties with all kinds of facilities following along, quite a few people will be attracted threr, and this will be helpful, no doubt, in the rebuilding of the old city. In a certain sense, construction of cities and towns in suburban counties should require less investment than the building of a satellite city. Therefore, the location of the satellite city must be linked to that of the cities and towns in suburban counties. It must be stated that construction of these kinds of cities and towns must emphasize gradualness with no rushing into mass action. In this regard, the enthusiasm of counties in suburban areas cannot be underestimated.

4. In order to overcome the irrational layout of the old city and to quicken the pace of rebuilding of the old city it is necessary, beginning now, that no further new construction or expansion of industrial plants or institutions be undertaken within the area of the old city. New construction should be done in the satellite sity or in towns in suburban areas (or counties), and expansion should also be done through the construction of branch plants in satellite cities and towns outside the city. In the case of municipal public utilities, cultural, athletic or medical facilities, inasmuch as there has been an imbalance for a long time in the proportion of flesh to bone, both expansion and new construction should be allowed to continue as planned in the old city.

5. In the case of industrial plants that cause serious pollution of the environment, once investigation has clarified matters, they should be required to treat the problem in their present location within a certain amount of time. They may not add to the pollution of satellite cities and towns or to the suburbs and the county as a means or reducing urban pollution. If the engineering required to control the pollution is complicated and the plant is unable to set matters right, the plant should decide to move into the satellite city. However, once it has moved, it should have to institute pollution controls. In the future, whether in cities or countryside or in new areas, newly constructed industrial plants must be designed, be constructed, and go into production in compliance with pollution controls.

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FOREIGN TRADE

EXHIBITION OF BEIJING PRODUCTS IN HONG KONG DRAWS 'AMAZING' RESPONSE

Beijing BEIJING RIBAO in Chinese 16 Jul 80 p 2

[Article by Wang Jiayan [3769 0857 1750]: "An 'Amazing' Exhibition"]

[Text] Recently, we visited the entire "Beijing Municipality Export Trade Exhibition" delegation which just returned from Hong Kong. They said: we were truly amazed at successes like these!

This exhibition was the first time that export products from this city were taken to Hong Kong and a comprehensive type of sales display undertaken. The exhibition was opened on 31 May and closed on 22 June; there were 2 days "off" during this period, and during the 21 days of actual operation, there were 170,000 visitors and deals worth $7.5 million were concluded.

During the first 2 days of the exhibition, heavy rain fell continuously in Hong Kong, but elderly men and women came in leaning on their canes, students bounced in, and businessmen from Taiwan, Singapore, Thailand and the Phillipines, having received the news from affiliates in Hong Kong, came as well. The exhibition was open for only 4 and a half hours in the afternoon, but on the first day 19,000 people attended, and attendance increased sharply on the second day to 25,000.

A large-type jade carving, "Green Jade Sea," designed by famous craftsman Wang Shulin, was carved under his direction by more than 40 artisans. The superb craftsmanship of it's carving techniques and magnificent boldness of vision fascinated the visitors and people were constantly taking photographs, pointing it out and admirint it. One attendee, seemingly coming to a realization of a great truth, said to his companions, "This is truly a rare treasure! Look, it doesn't even have a price tag." The all-season "King" brand shirts, thin as a cicada's wing, also had the crowds of visitors clicking their tongues in admiration. "Beijing's textile industry is capable of producing the seldom-seen 120-count "pure yarn synchronous weave" clothing material--that's outstanding°"

On one occasion 5 people came from a major clothing plant in Hong Kong and, seeing the clothing from Beijing, said to the attendant with amazement: Beijing is deep in the interior and news isn't up-to-date. We're truly amazed that you are able to put out clothing styles which suit foreign tastes in dress.

A man from the "Golden Flower" Corporation in Hong Kong came and after viewing Beijing's western clothing said happily, "Previously, I always believed that although the workmanship of China's western clothing was fine, it wasn't stylish. There was no difference between men's and women's styles. This time I can see that the styles are great!" Moreover he placed a pilot order for 1,000 articles of high-grade western clothing. A large group of businessmen gathered before the "Starry Sea" brand 104A upright piano, having to find out about the merchandise before it was sold out. They quickly implored the attendant to let them play it a little. A reporter on the scene was thinking even faster: without asking the price, he smoothly pulled out a large stack of bills, and, pointing to the display, told the attendant, "I'll take this one." The attendant said, "Display merchandise can't be sold!" "That's all right, take the money in advance, and I'll take it when the exhibition closes."

An American tourist, stopping before a harp, looked left and right, then asked suspiciously: "Is this harp made wholly in Beijing?" As soon as he had received an affirmative response, he said in amazement, "There aren't many countries in the world capable of making these; this is truly outstanding! Beijing's musical instruments are very seldom seen in the American market; more's the pity!"

Beijing's chemical industry products, machine tools and hardware also attracted the interest of many businessmen, with many attendees commenting in this fashion: previously, when Beijing was mentioned, it pertained to art and cloisonne enamel. It's amazing that there are this many items! Amazing. The delegation was amazed, the attendees were amazed. "Then, how did this 'amazement' come to be?" This reporter posed this question to the delegation.

The delegation's comrades said: the reason that this exhibition had a fairly great effect and fairly good results is mainly attributable to the popularity that the capital of the People's Republic Of China enjoys in the hearts of compatriots abroad and all the peoples of the world. Our compatriots abroad and all the peoples of the world hope for China to become strengthened and for Beijing to become the showcase of culture and development in China. Their "amazement" carries the idea of their expectations and encouragement for Beijing while at the same time it clearly states that our familiarity with the situation in Beijing is insufficient. The "amazement" of our foreign trade departments states clearly that we know too little of the needs and changes in the international marketplace and our view is too narrow. On this occasion, representatives of both industry and trade from Beijing paid visits to dozens of plants in Hong Kong, held many conferences, genuinely broadened their outlook, and increased their knowledge.

For example, why was it that Beijing shirts never achieved high-grade status? It was not until this visit that the reason was learned: everyone's attention is drawn to the collar. When it underwent only ten inspections, there were no defects on the finished garment but when the collars of our shirts were inspected only twice, many defects were found. Additionally, there is the example of our copper rods, which received mixed reactions from the Guangdong Trade Fair. Sometimes they would be described as good to use and shortly thereafter it would be said that they were useless. This time, after inquiry, it became known that the true reason was that disposition of the product had not been made according to the requirements of different customers. Additionally, our propaganda had not kept abreast of the situation, samples were few, and some products didn't even have a manual or directions, and it was very difficult for the international market to know about us. It appears that if Beijing's foreign trade is contemplating coming to a major exhibition, both industry and trade should pay attention to understanding the international market. Industrial departments should vigorously produce goods suitable for the market based on the international market situation. Foreign trade departments must cooperate closely with the industrial departments and routinely study and analyze the business situation in the international market, which can change drastically in the wink of an eye. Only when we "know ourselves and know the others" will "amazement" gradually turn into "knew it all along."

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NANJING BANK IMPROVES CREDIT SERVICES TO SUPPORT FOREIGN TRADE EXPANSION

Nanjing XINHUA RIBAO in Chinese 28 Jul 80 p 2

[Article: "Supporting Enterprises In Developing Superiority And Expansion Of Exports"]

[Text] The Nanjing Branch Bank of the Bank of China (BOC), in undertaking to provide foreign trade credit and foreign exchange credit operations, has improved their services and vigorously supports local development of economic superiority and expansion of foreign trade exports.

Preferred Provision Of Purchase Funds For Foreign Trade

Purchases and exports of our province's light textile products constitute in excess of 60 percent of the total province's fiscal year plan. With regard to credit resources for purchases in excess of plan, the Nanjing branch, BOC, at the same time that it was guaranteeing the supply of purchase funds for the plan, also guaranteed purchase funds for developing raw and other materials needed by the light textile industry so long as the goods are to be sold on the international market, are competitive and for which the exchange rate is high. The bank raises the money vigorously and provides preferential support. As regards products with sluggish sales and low exchange rates in the plan, it strictly controls purchases in excess of plan.

Among export goods from our province, silk cloth is the "fist." The chief production locations are Suzhou and Wuxi, and, because silkworm cocoons are in short supply, they are facing circumstances of "not having enough to eat." Once the bank learned of this situation, they noted special characteristics such as the fact that the timing of getting silkworm cocoons to market is critical, the area involved is broad, and the seasonality is uncompromising. They released advance purchase funds of more than 30 million yuan for silkworm larvae for the province, thus allowing Suzhou and Wuxi to allocate in a timely fashion silkworm cocoon preparation funds of 15 million yuan. They were supported in such a way that they could make purchases and store their purchases on the basis of quality and quantity and they did not miss out on the opportunity for

foreign trade. This developed superiority in exports for the silk cloth industry both in Suzhou and in Wuxi. Up to the end of June of this year, purchase funds provided throughout the province in the areas of spinning and weaving, clothing, light industry and handicrafts have increased by 24 percent over the same period of last year.

Strengthen Management Of Credit Funds

They have coordinated foreign trade departments of the province and at one after another chemical industry and machinery import-export branch corporation test point centralized management of accounting of scattered stored goods. They have changed the situation wherein provincial corporations were "unlinked" from the purchasing "link" by effecting control and operations management in a remote fashion, and not taking in their own hands the real storage situation. The Nanjing branch of the BOC went over the storage accounts and other data belonging to provincial import-export branch corporations, and developed a regular analysis of economic activities, promoting an even better improvement of operations management by foreign trade departments, so that beneficial purchases of quality were pivotal and export transactions were expanded. For example at the beginning of June, the bank cooperated with the chemical industry's import-export branch corporation in undertaking an analysis of storage as of the end of May. They discovered that there were 42 types of goods which had been purchased in excess of plan without approval, and 34 types of goods which were merchandise which had been in storage in comparatively great volumes for more than one year's time without turnover. The corporation leaders paid utmost attention to these problems, convened conferences with concerned departments, quickly adopted measures, put their contracts in order, and effected allocation and transfer and changeover for merchandise which had been purchased in excess of plan. Owing to the fact that this corporation strengthened operations management, the self-managed chemical industry exports had by the end of June already fulfilled 102.55 percent of the year's plan, an increase of 3.71 times the total for the same period last year.

Flexible Application of Foreign Exchange Loans

The bank changed the previous monopolistic practice of centralized approval for foreign exchange loans. It coordinated concerned departments, strengthened research and study, and moreover adopted the method of making load agreements directly with production enterprises. Economic responsibility was made clear and definite and as a condition (for a loan) came to be appropriate and approval was granted. Moreover, they expanded the scope of use for loans so that just so long as there is a source of foreign exchange and there is a capability for repayment with regard to the business endeavor, application can be made for use of foreign exchange loans to attract facilities or to import raw materials for production. Changed was the previous practice whereby loans were made only to production enterprises which were producing goods for export.

Based on the economic readjustment work situation in our province, they have placed emphasis of foreign exchange loans on supporting light textiles enterprises in attracting advanced technology and facilities and promoting the levels of "extracting latent energy, reforming, restructuring and improving," so as to expand exports and create more foreign exchange. During the first half of this year, there were 13 foreign exchange items approved for use in the wool spinning, knitting, and export packaging trades. The wool spinning items alone attracted contracts worth $29,560,000. If all these items are approved to go into production, the productive force of wool spinning will be expanded by 30,000 spindles, and wool yearn will increase by 3,000 tons; this will play a great role in changing the backward face of our province's wool spinning industry and increasing exports.

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REVAMPING TIANJIN'S TRANSPORTATION NETWORK URGED

Tianjin TIANJIN RIBAO in Chinese 8 Aug 80 p 1

[Article by commentator: "Rapidly Develop Communications and Transportation. Ninth Discussion on Giving Play to Tianjin's Dominant Economic Position"]

[Text] Communications and transportation are percursors to the development of the national economy, and they are also a major component for priority development during the period of readjustment in the national economy. In order to give full play to Tianjin's dominant economic position, serious attention must be given to the development of communication and transportation enterprises in Tianjin.

The industrial and commercial development of any area is inseparable from the ease of communications at a given time and in a given place. Tianjin's position along a river and facing the sea makes for convenient communications, and this has been a major condition making for the city's gradual development to become a major industrial and commercial city and an economic center of North China. Since Liberation, in particular, Tianjin's seaport, aviation, railroads and highways have seen varying amounts of development, and they have become a virtual communications and transportation network. However, in comparison with the speed of development of the entire national economy, transportation and communications in our city are rather backward. This is particularly noticeable in the seaport and railroads. During this year, a slowing has occurred in the hectic situation in our city's communications and transportation in the wake of readjustments to the national economy which has curtailed the capital construction front. In highway transportation units, even a situation of insufficient work has come about. It must be realized that as the national economy and the import-export trade develops in the future, there will inevitably be an increase in the tasks that communications and transportation will have to undertake. Consequently, we must not slacken efforts because of temporary slowness or lack of work to do. For the future, the goals of the development of communications and transportation endeavors in Tianjin will be further construction of an interconnected waterway, railroad, and highway transportation hub in which the seaport is the centerpiece.

In order to meet requirements for the building in our city of industrial bases, foreign trade and export bases, and science and technology bases, the speed of port construction must be greatly accelerated. The port of Tianjin is North China's largest commercial port. In 1940, construction was begun at Tanggu and Xingang. After two large scale expansions following Liberation, there are now 27 piers of which 12 are 10,000-ton class piers. In 1979, cargo handling capacity reached 12.7 million tons. Even so, it is still a long, long way from being able to satisfy the demands of domestic and international trade. The port of Tianjin still has a long coastline that is not fully used where the space for development is large. In particular, there is a large swath of barren land along the seacoast, and this is a beneficial condition endowed by nature for the future development of the port of Tianjin. We should make full use of this beneficial situation and use every means to accelerate the speed of harbor construction. At the same time, we should make ready the various facilities that are part of a port and that serve a port. Sea-going transportation industries, which are intimately related to ports, should also see great development.

Railroads too are a rather urgently needed component of our city's transportation and communications endeavors. Tianjin is the point of convergence of the Beijing-Shanhaiguan and the Tianjin-Pukou lines, and a key junction for railroads running to points inside and outside the Great Wall. Whether or not our city's railroad transportation develops affects not only this city itself, but also some areas in North China and the Northeast. Some of our city's railroad lines have currently reached a state of saturation. Freight yard size is seriously inadequate, and both marshalling stations and train stations are far from being able to satisfy demands. In the process of studying long-range planning, the authorities concerned plan to construct some new line and marshalling stations, expand the size of freight yards for making transfers to other lines, and readjust and improve old train stations. This is extremely necessary for the development of our city's railroad transportation. We hope that these things will be done within the shortest time possible and that results will soon be seen.

A great untapped potential exists in our city's highway transportation. We must strive to increase efficiency and reduce costs. The city now has more than 25,000 trucks for 2 ton or larger capacity. More than 21,000 of these are dispersed throughout various government organizations, business enterprises, and institutions. Special transportation units have only somewhat more than 4000 of them, amounting to about one-sixth, which last year were responsible for transporting almost half the motor vehicle freight for the entire city. The vehicles scattered throughout the society have a low rate of use, and their transportation costs are high. This can be nothing other than a great waste. Beginning in August 1979, our city organizationally centralized the freight hauling motor vehicles belonging to government, business enterprises, and institutions to form a specialized freight transportation corps, which brought about an increase in efficiency of more than 50 percent and a very great reduction in costs.

This method merits encouragement and should continue to be expanded elsewhere. In the future, we should gradually increase the number of vehicles in the specialized transportation units, reduce and constrict the scattered use of vehicles in the society, and never again have a situation of "everybody operating his own transportation" in which the losses outweigh the gains. Simultaneously with the gradual replacement of motor vehicles, the standardization of vehicle types and makes, and the reduction of costs, specialized transportation units should also strive to improve their attitude of service, improve the quality of service, and guarantee that the transportation needs of production, research, and the people's livelihoods will be met so as to put the consumers' minds at ease. Every government organization, business enterprise, and institution should change its attitudes of the past in the use of vehicles in which no thought was given to economic accounting but only to the convenience of "eating out of a common pot." They should strive to fix tasks, fix consumption, calculate costs, and pay attention to economic results.

Additionally, there should be development of water transportation and air transportation commensurate with the needs of our city.

Development of our city's communication and transportation endeavors, and the strengthening of organization among various transportation units is extremely important. We have to investigate and study, hammer out rational programs, and adopt different transportation methods for different distances and different points. At the present time, pressure on our city's railroad transportation is fairly great. Some short haul transportation should, insofar as is possible, be done via the highways or via water transportation. Various transportation methods must be dovetailed using the long points of one to make up for the short points of others, so that in a situation of no investment or little investment transportation capacity can be greatly increased. Adoption by the Tianjin railways department of a coordinated system of transportation with scheduled times, scheduled directions, centralized loading of freight and centralized assignment of cars has speeded up the exchange of goods between the city and the countryside. From there they went on to begin a link up with the port, which also yielded quite good results. In future, railroad, highway, and water transportation must be more intensively coordinated in a link-up that produces comprehensive transportation and uses transportation potential to the maximum extent.

The development of Tianjin's communication and transportation and the guilding of a communications hub in which the port is the centerpiece and in which water transportation, the railroads and the highway are dovetailed is not the concern of transportation and communications units alone. It also requires the active support of all trades and industries and of the people of the entire city. For example, railroad construction and the building of freight yards requires land, and units concerned msut accomodate this need to the extent that it is consistent with policy.

Likewise, to increase the efficiency of highway transportation, high quality unimpeded highways are needed for which planning, municipal construction, and municipal government units must act as a team. The various trades and industries as well the people of our city have done much work in this respect during the past, and the future will require more very great efforts to vie a new look to the communications and transportation of our city.

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NATIONAL ECONOMIC POLICY

HONG KONG PAPER ON RESTRICTING USE OF FOREIGN CAPITAL

HK130325 Hong Kong TA KUNG PAO in Chinese 9 Sep 80 p 1

[TA KUNG PAO special correspondent 8 Sep article from Beijing: "China Will Keep the Use of Foreign Capital Under Control"]

[Text] China has decided to restrict the use of foreign capital within certain limits during the course of its economic development. Over the next 10 years, the annual combined principal and interest on foreign debts must not exceed 15 to 20 percent of the total amount of foreign trade exports in that year. A TA KUNG PAO reporter interviewed a responsible cadre of the State Council Foreign Investment Management Committee. He gave an account of last year's Chinese and foreign joint ventures, foreign loans and the development of cooperative exploration and exploitation of offshore oil.

The responsible cadre said: In 1979, there was a total of more than 3,200 projects for the processing of foreign materials throughout the country. However, because of keen competition and a heavy workload, they were forced to cut their prices, thus the actual profits were small. Some even ran businesses at a loss. In addition, there is the problem of export quotas for textiles. Goods processed from foreign materials occupy a certain portion of the quota, thus China's normal export trade is affected. Problems concerning this aspect have been initially solved.

As for compensation trade, last [year] there were more than 170 medium-scale and small-scale projects amounting to a total value of $100 million and there were more than 10 large-scale projects, each costing more than $100 million. To solve the problems of insufficient experience and disorderly work, they are prepared to convene meetings to sum up experiences.

Current Chinese and Foreign Joint Investments in Exploration of Offshore Oil Account for $10 Billion. Investments for Future Exploitation Accounting for $20 Billion Will Be Paid for with Oil

The issue of Chinese and foreign joint ventures is more complicated. There are problems regarding salaries and employment and dismissal of

workers in joint enterprises. Not long ago, a labor regulation was officially issued to provide a basis for solving problems of employment and dismissal. The localities are to fix land prices in accordance with the specific conditions of urban and rural communications and transportation.

The responsible cadre also talked about foreign loans. He said: At present, loans from governments consist of 20 billion yen from "The Japanese Overseas Cooperation Fund" for 6 large-scale construction projects and $? billion in energy loans, also from Japan. Loans from countries such as Belgium and Denmark are under negotiation. Negotiations with the World Bank for the first loan in 1982 are under way. The loan will be used mainly for purposes of education, agriculture and hydroelectricity. In the future, the amount may reach $50 billion. Loans from commercial banks will not be used because of the high interest rate.

The responsible cadre stressed that great importance must be attached to problems arising from repaying debts in the form of energy. In foreign countries, there are safety coefficients for loans and the principal amount and interest for repaying foreign debts does not usually exceed 22 to 25 percent of foreign trade exports in that year. China will control the use of foreign capital carefully over the next 10 years and has decided to fix 15 to 20 percent as the safety coefficient.

As for joint exploitation of natural resources, the responsible cadre disclosed that China has cooperated with oil companies from more than 10 countries to exploit offshore oil. The foreign companies are responsible for oil exploration. Once commercial oilfields are discovered, there will be joint exploitation. China will use oil to pay exploration fees and continue to allocate part of the oil to them. At present, investment in exploration is estimated to be around $10 billion. In the future, investment for exploration will amount to $20 billion.

CSO: 4006

NATIONAL ECONOMIC POLICY

'RENMIN RIBAO' EDITORIAL URGES INSURING PRODUCTION SAFETY

OW200614 Beijing XINHUA Domestic Service in Chinese 1430 GMT 19 Sep 80

[Report on REMNIM RIBAO 19 September editorial: "Respect Science and the Masses and Insure Safety in Production"]

[Text] Beijing, 19 Sep--The editorial says: The state council's decision to deal seriously with the capsizing of the oil rig "Bohai No 2" has evoked tremendous repercussions throughout the country and has received resolute support from large numbers of cadres and people in various trades and professions. This accident will promote respect for science and following rules and will become a historic turning point for the entire industry and for the communications, capital construction and other fronts.

The editorial points out: As far as the whole country is concerned, the problem of safety in production is still rather serious. The "Bohai No 2" accident is but one salient case. There are also many problems of production safety in other departments, such as the coal industry, railway, communications, capital construction and metallurgical industry departments. This shows that the idea and style of overlooking safety in production and of acting recklessly according to one's subjective wishes and the influence of the ultraleftist trend of thought, which have long existed in our economic work, have become serious problems that now must be solved conscientiously.

The editorial says: The ultraleftist trend of thought has a very far-reaching influence in our economic work. Those who are under such influence advocate the omnipotence of the power of one's will; pay no attention to seeking truth from facts; regard acting recklessly as "soaring enthusiasm" and boasting and exaggeration as "brave words"; describe proceeding from reality as "right-conservatist"; and denounce abiding by regulations and discipline and paying attention to safety as "the philosophy of survival." This practice of turning things upside down has caused serious consequences.

In the struggle with nature, one will of course meet certain accidents and dangers beyond expectation, and it is impossible to call for avoiding all accidents. However, this cannot in the least mitigate the responsibility

of those who have caused serious accidents resulting in injury and death by giving directions against regulations. Some people have even flagrantly alleged that "one has to violate regulations in order to perform his work; otherwise, he just cannot do it." If one who holds such a view directs production, how will it be possible to avoid accidents?

At present, continuous efforts must be made to eliminate the influence of the ultraleftist trend of thought in our economic work and to bring order out of chaos. It is necessary to promote respect for science and acting according objective laws and to oppose subjectivism and acting blindly and recklessly. Only when we follow the correct ideological line will it be possible for us to basically change the situation in labor protection and safety in production.

The editorial points out: A few leading cadres of some units have failed to try in every possible way to cherish and protect the enthusiasm of the broad masses but have taken a bureaucratic attitude in this regard. Before the occurrence of an accident, they pay no attention to safety in production and are apathetic to or have lowered their guard against the possibility of its occurrence. After the occurrence of an accident, they negligently delay handling it, nor do they report it to higher authorities. In order to seek honor through fraud and deception, some leaders report only the good news and not the bad or even retaliate against those comrades who have reported the real situation. What is more disgusting is that some leaders considered funeral services as happy events, and they regarded as heroic deeds in laying down one's life for the revolution what were accidents that arose from negligence and occurred because of operating or giving directions against regulations. They even had red silk draped over people's shoulders and flowers pinned on their breasts, and they had people beat drums and gongs at a victory meeting at which awards were issued. The masses made the stire that "an accident creates heroes and leaders share their honor." Such wrong practices must be resolutely corrected.

The editorial also suggests that it is necessary to use the legal system to insure production safety in order to do a good job in this regard. The decrees concerning protection of workers' safety and health in production that were promulgated by the state council in the past and still hold good must be observed.

CSO: 4006

'RENMIN RIBAO' EDITORIAL URGES REFORM OF COMMERCIAL MANAGEMENT

OW201214 Beijing XINHUA in English 1205 GMT 20 Sep 80

[Editorial]

[Text] Beijing, September 20 (XINHUA)--Today's PEOPLE'S DAILY editorially urges more varied forms of purchase and supply to invigorate China's economy. Administrative orders have for years been the chief means used in commercial management. Control over purchase and supply is too rigid and there are not enough channels of circulation while commercial organizations overlap. Further reforms are necessary, the paper says.

Unified purchase and supply of grain, cotton, edible oil, cotton cloth and other essential daily necessities should continue, but the state should not undertake to purchase and distribute all manufactured goods, the editorial says. Apart from unified purchase and supply, other forms can be used including purchase according to plan, on orders or by selection.

Collective commercial undertakings should be given support and individual sellers should be allowed to operate independently, the editorial continues. Measures should be taken to create a lively market with state, collective and individual commercial enterprises supplementing one another. Goods should flow between town and countryside on a bigger scale.

The number of links in circulation should be fewer to reduce losses and costs, the editorial says. The number of wholesale organizations should be cut. Wholesale and retail shops should establish direct contact with factories and other areas. Factories should be allowed to sell their products in other areas instead of turning everything over to the state.

Commercial enterprises should have greater independence in management, the editorial says. They should assume responsibility for their profit and losses and pay taxes instead of turning over all profit over to the state. This new practice should be tried out step by step in a growing number of selected enterprises.

Democratic management should be established and the workers encouraged to display their talent and intelligence and take part in management. Commercial laws should be made and the people should supervise enterprises, the editorial says.

CSO: 4020

ECONOMIC PLANNING

BRIEFS

GUANGDONG COMMERCIAL RULES--Recently, the Guangdong Commerce Department adopted five new stipulations on the management of collective commerce. The stipulations pointed out that collective commerce can run catering, service trades, various repair trades and the commercially run industries. These trades are not limited so long as the masses need them, and purchasing and marketing activities can be carried out in advance and products can be purchased from areas outside the province, trade stations, commune and brigade enterprises, factories and handicraft industry. The collective catering services are allowed to purchase raw materials from the agricultural markets. The state commerce must actively support the development of collective commerce. The methods of reward for the collective commerce should be livelier and help can be sought from the local state commerce. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 30 Aug 80 HK]

JIANGSU COMMERCIAL ENTERPRISES--The Jiangsu Provincial People's Government recently approved that the power to make their own decisions be given to 141 commercial enterprises of the province on a trial basis. The provincial government asked them to make marked achievements in bringing democracy into play, modestly accepting the masses' criticism and supervision, consciously persisting on the road to socialism and wholeheartedly serving the masses. [OW091311 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 5 Sep 80 OW]

JIANGSU ECONOMIC INTEGRATION--Various forms of economic integration are developing in urban and rural areas in Jiangsu, breaking the boundaries of trades, localities, ownership and jurisdiction. For example, on the basis of products and production processes, factories are organized into integrated corporations. Factories and rural communes jointly run raw materials-producing bases. Enterprises are formed for integrated purchase, transport and selling of raw materials and finished products. These forms of economic integration are conducive to bringing into play strong points and steering clear of weaknesses, tapping potential and raising labor productivity. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 18 Sep 80]

CSO: 4006

GUANGDONG COUNTIES ABOLISH INDUSTRIAL BUREAUS

OW240838 Beijing XINHUA in English 0811 GMT 24 Sep 80

[Text] Beijing, 24 September (XINHUA)--One-fourth of the counties in Guangdong Province, 29 in all, have abolished the industrial and communications bureaus that formerly ran their factories and enterprises, and have made the county economic commissions responsible for coordinating industrial activity.

The economic commissions act as a link between the factories and the government. They are part of the industrial scene while retaining some of their functions as governmental bodies.

The new system was first adopted last year in Qingyuan county, central Guangdong, and it was recommended recently by the provincial committee of the Communist Party for adoption throughout the province.

Qingyuan's economic commission now guides production and operation of local factories and transport and oversees distribution of raw materials and use of funds, fulfillment of state plans and delivery of profit to the state.

It also attends to reports to the provincial government and much of the official paperwork.

After their quotas of profits have been handed over to the state, the factories share the rest of the profit with the commission, so that there is a direct link between the commission's management policies and the financial soundness of the industries in its charge.

The new system has also meant a reduction of officials on the payroll. Before the reform, Qingyuan county had 146 people working in industrial administration at bureau level and above. Now there are 81.

All the counties who have adopted the new system report simplified administration, reduction of red tape and higher efficiency.

CSO: 4020

GENERAL ECONOMIC INFORMATION

BRIEFS

ANHUI ECONOMIC READING CLASS--The party committee of the offices directly under the Anhui Provincial People's Government recently sponsored a 1-month reading class for propaganda cadres to study socialist economic theory. Altogether 60 propaganda cadres attended the class. Among the books studied were "Soviet Union's Socialist Economic Problems" by Stalin and "On Ten Relationships" by Chairman Mao. (Zhang Chunhan), first deputy director of the provincial propaganda department and other leaders made reports at the class. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 6 Sep 80]

SHANGHAI TRADE UNION MEETING--The Shanghai Trade Union Propaganda Work meeting sponsored by the Shanghai Municipal Trade Union Council was concluded on 11 September. Chen Yi, deputy secretary of the Municipal Party Committee, was present and spoke at the meeting. The meeting discussed the question of bringing the advantages of trade unions into full play to promote political and ideological work among factory staff members and workers. At the meeting the trade unions of a few factories introduced their experience in running workers' clubs to enrich the workers' spare-time cultural life. [Shanghai City Service in Mandarin 1130 GMT 11 Sep 80]

GUANGDONG EMPLOYMENT CONFERENCE--The Guangdong Provincial Labor Employment Work Conference ended on 11 September. Wang Quanguo, secretary of the Provincial CCP Committee and the vice provincial governor, presided. Since the conference opened on 5 September, the participants have fervently discussed the issues of labor employment. The conference called for developing all kinds of handicrafts, developing commerce, service trades, compensatory trade, processing, assembly work, construction and construction materials and so on. After doing well in developing above trades and work, it is estimated that the province can employ some 500,000 people. Together with other units recruiting workers, it is estimated that the province can employ some 700,000 people this year and next. [Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 11 Sep 80]

GANSU NEW PRODUCT DEVELOPMENT--The Gansu Provincial Economic Commission held a provincial work conference on developing new products and adopting new techniques in Lanzhou Municipality from 16 to 20 September. The conference called for efforts to strengthen technical innovations, understanding of market trends and technical cooperations to tap the potentials of enterprises and to relax policy restrictions concerning designs and prices of products and awards for workers. [SK231350 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 22 Sep 80]

GUANGDONG-HONG KONG WATER SUPPLY--By the morning of 31 July, the Shenzhen Reservoir of the Guangdong Dong River Shenzhen Water Supply Management Bureau had fulfilled the 1979-1980 water supply task with respect to Hong Kong. A total of 168 million cubic meters of water were supplied to Hong Kong. This was an increase of 23 million cubic meters over the previous year. The Shenzhen Reservoir is mainly used for supplying fresh water to Hong Kong. Construction of the reservoir began in November 1959 and was completed in March 1960. Water supply to Hong Kong began in December of the same year. Agreements on the supply of water to Hong Kong were signed in 1964 and 1978. A supplementary agreement was signed in May this year. According to this agreement, the supply of water from this reservoir will be increased each year. A new water supply plan will begin on 1 October this year. [HK041231 Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 5 Aug 80 HK]

CSO: 4006

FINANCE AND BANKING

BRIEFS

NORTHWEST BANKING MEETING--The branches of China People's Bank in Xian, Lanzhou, Xining, Yinchuan and Urumqi municipalities recently met in Xining to exchange experiences in banking work. The meeting contended that new progress has been made in all banking businesses in the five northwest municipalities and that the expanded withdrawal of currency from circulation and steadily increased savings deposits prove this. [SK180720 Xining Qinghai Provincial Service in Mandarin 2330 GMT 16 Sep 80 SK]

GUANGDONG TAX EXEMPTION--Production teams in Guangdong which are low-yielding and lack grain will no longer have to pay agricultural tax effective this year. This will save them a total of 494.23 million jin of grain. Areas affected by natural disasters are also exempted from paying 37.79 million jin. These exemptions cost a total of 61.74 million yuan. The measure has greatly supported the disaster affected communes and brigades to resume and develop production and rebuild their homes. [HK080802 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 30 Aug 80 HK]

HEILONGJIANG SAVINGS DEPOSIT CENTERS--The Heilongjiang Provincial People's Bank granted special funds for 61 municipal and county banks to establish 132 savings deposit stations in an effort to offer more conveniences to the people. By the end of August, 30 stations had been completed, taking in some 1.5 million yuan. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 13 Sep 80 SK]

HUBEI DISASTER RELIEF FUNDS--The financial revenue departments in Hubei have allocated 38 million yuan to the disaster-affected communes and brigades to resume production and help the people in the affected areas solve their problems of livelihood. Some 11 million yuan is being used for relieving the livelihood problems such as purchasing grain, repairing damaged houses, and curing the sick. Twelve million yuan is being used for preventing floods and crash repairing in dangerous areas including purchasing materials for repairing. Fifteen million yuan is being used for purchasing draft animals, farming tools, chemical fertilizer and plant chemicals. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 4 Sep 80 HK]

JIANGSU PEOPLE'S BANK LOANS--The Jiangsu Provincial People's Bank recently decided to take a more flexible policy to provide loans to more enterprises. In addition to industrial and commercial enterprises, tourist and travel units, restaurants, cultural and recreational units and other undertakings are also to be granted loans. The people's bank will also provide temporary loans to individual industrial and commercial households which have business licenses and need working funds and can guarantee the repayment of debts. The provincial people's bank will also start a trust business, including trust deposits and loans, in key municipalities in Jiangsu on a trial basis. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 11 Sep 80 OW]

LIAONING INDUSTRIAL LOANS--The Liaoning branch of the China People's Bank recently decided to draw 46 million yuan from people's savings deposits above the assigned quota to serve as short-term loans to help various localities develop light and textile industries. It also decided to grant loans for developing cultural, educational and scientific research and urban construction. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 10 Sep 80 SK]

NEI MONGGOL BANK LOANS--The Nei Monggol Regional People's Bank recently held a work conference attended by the presidents of league and municipal level banks. The conference adopted a resolution to further relax policy restrictions and grant loans to households devoted to private business. According to the principle of breathing life into the economy, the regional people's bank will allow all households which have obtained business licenses to open an account with it. Those which engage in normal business and have a regular income will be granted adequate loans to expand their enterprises. The monthly interest rate of the loans is 0.42 percent. [SK150720 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 12 Sep 80 SK]

NEI MONGGOL COMMERCIAL GRANTS--The Nei Monggol Regional Branch of the China People's Construction Bank recently granted some 2.5 million yuan as loans for developing commercial networks in Hohhot and Baotou municipalities and elsewhere. The money is supposed to be used to establish small stores, restaurants and service and repair centers and to expand and rebuild old cooperative shops. [SK220602 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 21 Sep 80 SK]

NEI MONGGOL FINANCIAL SCHOOL--The Nei Monggol Financial and Economic College, the first higher education institute of finance and economy in Nei Monggol, held a rally to celebrate its founding on 16 September. The college was established in May 1980 with the approval of the State Council. Peng Mengyu, Standing Committee member of the regional CCP committee and vice chairman of the regional people's government, spoke at the rally to congratulate its founding. [SK200939 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 17 Sep 80 SK]

NEI MONGGOL SAVINGS DEPOSITS--The savings deposits in urban areas of Nei Monggol have shown a rapid increase since the beginning of 1980. By the end of August, the region's savings deposits had increased to 94.81 million yuan. The number of savings accounts has increased to 1.52 million, and every 3 urban residents have an account in the bank. [SK180714 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 17 Sep 80 SK]

QINGHAI SAVINGS DEPOSITS--Qinghai Province has overfulfilled its annual urban savings deposits plan by 24.114 million yuan as of the end of July--5 months ahead of schedule. In July alone, savings deposits increased by 6.48 million yuan. [SK151342 Xining Qinghai Provincial Service in Mandarin 1100 GMT 12 Sep 80 SK]

CSO: 4006

BRIEFS

SHANXI COAL SOCIETY FORUM--Taiyuan, 14 Sep--The Shanxi Provincial Coal Society held an academic forum on coal energy bases during 1-6 September in Taiyuan. At present, the province produces more than 100 million dun of crude coal but its variety far from satisfies market demands. The forum proposed that a coal energy scientific research institute be set up to make scientific research of the local coalified geology, mining methods and multipurpose use of coal. [Beijing XINHUA Domestic Service in Chinese 0238 GMT 14 Sep 80 OW]

ZHEJIANG ENERGY CONSERVATION--The industrial departments in Zhejiang's Hangzhou Municipality are striving to conserve energy. For the first 7 months of 1980, energy consumption for producing each 10,000 yuan worth of products was 4.7 percent lower than the figure registered for the corresponding period of 1979. Meetings have been held to exchange experience in energy conservation and commend the advance. Meanwhile, some 5,200 electricians and 3,100 boiler attendants have been trained in popularizing and using new techniques in energy conservation. A citywide energy conservation meeting was held jointly by the Hangzhou Municipal Economic Commission and Trade Union Council on 1 September to formulate energy conservation plans for the fourth quarter of 1980. [OW121101 Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 5 Sep 80 OW]

ZHEJIANG STEEL PLANT ENERGY CONSERVATION--The Hangzhou Iron and Steel Plant in Zhejiang has achieved remarkable results in energy conservation. During the first half of 1980, the plant's energy consumption for each dun of steel was reduced to 1,142 kilograms, topping other small and medium-sized iron and steel plants and reaching the advanced level of key metallurgical plants in China. To popularize the Hangzhou plant's experience in energy conservation, the Ministry of Metallurgical Industry held a meeting at the plant 17 September which was attended by small and medium-sized iron and steel plants from all over the country. The participants visited the plant's facilities and studied its experience. Responsible persons of the ministry praised the plant for conserving energy. [OW180647 Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 10 Sep 80 OW]

COAL MINES--China's coal mines contain over 100,000 million cubic meters of coal gas which can be used as cheap fuel by urban residents, according to experts at a technical information meeting that has just closed in Tianjin. The coal centers of Fushun, Yangquan and Hebei in northeast and north China have already supplied coal gas to residents in mining and urban areas. Experts said it would require only a moderate investment to fully exploit this clear form of energy. [Beijing XINHUA in English no time given 18 Sep 80]

GUANGDONG POWER STATIONS--Guangzhou, 20 Sep (XINHUA)--A 125,000-kilowatt generating unit has just gone into operation at the new Huangpu thermal power plant in Guangzhou, Guangdong Province. So far, three such units have been installed, with a combined generating capacity of 375,000 kilowatts. The Huangpu plant, which has a designed generating capacity of 900,000 kilowatts, is one of the biggest in south China. Meanwhile, the province is speeding up the construction of small hydroelectric power stations as an important source of energy in the rural areas. The government has allowed 93 million yuan for the work this year. More than 1,200 small hydroelectric stations, with a combined designed generating capacity of over 400,000 kilowatts, are under construction in Guangdong. The province already has 14,800 small hydroelectric stations with a combined generating capacity of 934,000 kilowatts. Last year, they produced about 20 percent of the power output of the province. Guangdong Province, with numerous rivers, has more small hydropower stations than any other province in China. [OW230145 Beijing XINHUA in English 0706 GMT 20 Sep 80 OW]

SHANDONG POWER GENERATION--Beijing, 3 Sep (XINHUA)--Into operation at the Shiliquan power plant in Shandong Province, bringing total generating capacity of the plant to 250,000 kilowatts. [as received] The first generating unit went on stream at the end of last year. The project, located in the Zaoteng mining area of the coal base of southern Shandong, uses the local coal with high sulfur content and middlings and tailings from the coal dressing plant as fuel. Its designed capacity is 500,000 kilowatts. [Text] [Beijing XINHUA in English 0727 GMT 3 Sep 80 OW]

CSO: 4020

BRIEFS

FUZHOU MINERALS--At present, the geological front in Fujian has discovered 92 types of mineral deposits with 53 known deposits in 700 mines. These mineral deposits include 23 large and medium scale deposits in 50 sites. Thirty types of minerals are already being mined in 101 sites. The geological teams in the province have discovered coal mines in 30 counties and municipalities. The coal output throughout the province has reached 4.79 million tons. There are nonferrous metals and rare metal mines in the province. The geological workers have also discovered a large iron mine. In the past few years, the geological workers have presented 6,000 geological survey reports to the state, thereby making contributions to the four modernizations. [HK151243 Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 5 Sep 80]

HEILONGJIANG GOLD-MINING SHIP--China's first 300-liter gold-mining ship has begun trial operations. Equipment and materials for the ship were imported from the Netherlands; the ship was built by the Heihe Gold Mining Bureau, Heilongjiang. It took only 5 months to build the ship, 3.5 months less than it takes to build a similar ship in foreign countries. [Beijing Domestic Service in Mandarin 0400 GMT 19 Sep 80]

GOLD MINING SHIP--China's first large gold mining ship, which is 70 meters long, 18 meters wide and 25 meters high, was successfully built by the Heihe Gold Mining Administration, Heilongjiang, in 5 and a half months. All equipment and materials for the ship were imported from the Netherlands. The ship, with a capacity of 300 kiloliters, is now undergoing trial operations. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 14 Sep 80]

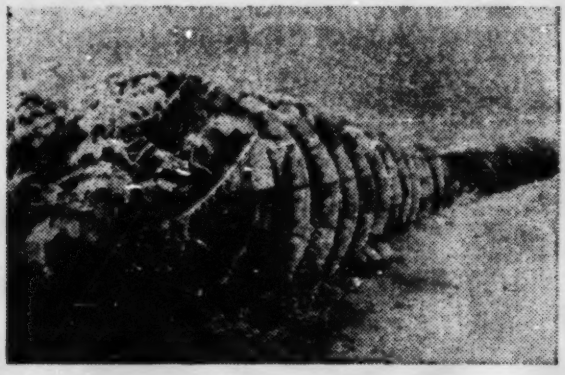
CSO: 4006

EXPENSIVE ORE DRESSING MACHINERY ABANDONED FOR 20 YEARS

Beijing GONGREN RIBAO in Chinese 29 Aug 80 p 2

[Article: "Fifty Thousand Plus Thrown Away for 20 Years"]

[Text] The machinery shown in the photograph is a 52,000-yuan, 2-meter-diameter double helix ore dresser. The machinery is located alongside the road near the Tongshan Mines of the Daye Nonferrous Metals Company in Hubei Province and has been there for more than 20 years covered with vines and weeds. We understand that the ore dresser was purchased in 1958 and then never used because the mine was abandoned. Later, when the mine resumed operations, nobody bothered to inquire about it. Nor was it touched by anyone during the many scrap iron and steel drives. It is truly distressing that we have some management personnel who have so little concern for state property.



CSO: 4006

BRIEFS

FUJIAN STEEL SUPPLY CONFERENCE--Recently, the Fujian Provincial Economic Committee held a conference of the directors of the prefectural and municipal economic committees in Fuzhou on rolled steel production. The supply departments were urged to open up their warehouses and supply the rolled steel which they have in stock without charging the 2 percent service fees. Regarding the overaccumulated rolled steel, it is necessary to reduce the price by 10 percent. [Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 30 Aug 80 HK]

TIANJIN TRACTOR EXPORT--The Tianjin Tractor Plant recently exported 5 sets of Model No 55 CD tractors to the Philippines. The easy-to-use and safe tractors are designed for export. [Tianjin City Service in Mandarin 1430 GMT 18 Sep 80 SK]

JILIN AUTOMOBILE JOINT COMPANY--The Changchun No 1 motor vehicle plant and 38 other enterprises signed an agreement 17 September on establishing a joint company to produce and sell various kinds of cars, buses, cranes, fire trucks, forklift trucks and refrigerator vans which use (Jiefang) brand chassis produced by the Changchun No 1 motor vehicle plant. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 17 Sep 80]

CSO: 4006

BRIEFS

HUBEI LIGHT, TEXTILE INDUSTRIES--In order to speed up development of the light and textile industries in Hubei Province, the State Ministry of Light and Textile Industries and the provincial financial department allocated loans of 244 million yuan to Hubei industries and arranged 347 production projects. According to statistics of the provincial No 1 and No 2 light industrial bureaus and the textile industrial bureau, 88 projects had been completed and put into production before the end of June. The total production value was increased by some 300 million yuan and some 60 million yuan was accumulated for allocating loans. The province stressed bringing the superior position of industries into play and speeding up coordination between specialized departments. Regarding capital, the provincial people's bank signed contracts with and allocated funds to enterprises in the shortest time yet; and regarding material supply, the material department gave priority to the enterprises concerned. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 21 Aug 80 HK]

JIANGSU ELECTRONIC PRODUCTS EXHIBITION--The Jiangsu provincial sales exhibition of electric products is being held in Nanjing starting on 17 September. Responsible comrades of the fourth Ministry of Machine-Building, the provincial CCP committee and people's government, the Nanjing PLA units and the provincial military district have visited the exhibition. More than 2,000 varieties of electronic products from more than 390 plants and research institutes are displayed. More than 2,000 units from other parts of the country have been invited to display their products. On display are color and black and white television sets, stereo phonographs, AM-FM radios, ground receiving equipment for satellites, calculators and integrated circuits. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 17 Sep 80 OW]

NEI MONGGOL SALES EXHIBIT--A Nei Monggol regional sales exhibit of local industrial products was held in Hohhot Municipality from 20 to 30 September. The sales exhibit is jointly sponsored by the Nei Monggol Regional CCP Committee and the CCP committees of various leagues and municipalities throughout the region. Attending the opening ceremony of the exhibit were Hau Xiushan, Peng Mengyu and Chen Bingyu, vice chairmen of the

regional people's government, and Bu He, first secretary of the Hohhot Municipal CCP Committee. Chen Ginbyu spoke at the ceremony. On display were light industrial products, textile products, garments, shoes, hats, electronic products, building materials and other goods produced by industrial and communications firms in the region, totaling some 400 varieties and worth 890 million yuan. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 20 Sep 80 SK]

TIANJIN SALES EXHIBIT--According to our correspondent in Beijing, following a 2-day preparatory exhibition, the light industrial products sales exhibition will formally open tomorrow at the Beijing Exhibition House. This sales exhibition is jointly sponsored by the First and Second Beijing Municipal Light Industrial Bureaus, the First Tianjin Municipal Light Industrial Bureau and the Guangzhou Municipal Light Industrial Bureau. The First Tianjin Municipal Light Industrial Bureau will display some 130 varieties of products with 638 patterns and specifications at the exhibition. Since the State Council decided last year to enact the principle of "six priorities" in developing light industry, light industrial production in Beijing, Tianjin and Guangzhou municipalities has increased substantially, some 1,000 new products have been introduced and product quality is being improved. This sales exhibition is designed to report achievements in raising product quality and developing new varieties to the party Central Committee, the State Council and people in the capital. It is also designed to heed consumers' opinions and demands, exchange technology, learn from each other and engage in competition. All four light industrial bureaus in the three municipalities will display their good-quality and brand-name products and products with distinguishing features and competitive ability. On display will be some 1,000 kinds of products in 20 categories with tens of thousands of patterns and specifications. Comrades Liang Lingguang, minister of the Ministry of Light Industry, and Hu Qili, mayor of Tianjin Municipality, toured the preparatory exhibition. [Excerpts] [SK120939 Tianjin City Service in Mandarin 1430 GMT 11 Sep 80]

ZHEJIANG LIGHT INDUSTRY--In order to improve the economic management of the second light industry, mobilize the enthusiasm of the grassroots units and increase production and income of enterprises, the Zhejiang provincial second light industrial department has reduced collectively-owned enterprises' after-tax profits to be submitted to the state from 20 to 10 percent. Under the new regulation, which has been approved by the Provincial People's Government, at least 60-70 percent of the after-tax profits may be retained by the enterprises. Enterprises which made less than 5,000 yuan in profits in 1979 may retain them all. Spiritual and material rewards will be given to prefectures, municipalities and counties which have done well in delivering profits to the state. The new regulation will be an important economic measure for promoting the continuous and steady progress of the province's second light industry. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 6 Sep 80]

HEILONGJIANG BUILDING MATERIALS--Harbin, 17 Sep (XINHUA)--A base for producing new-type building materials, which began construction in 1978, is basically completed in Heilongjiang Province. Recently a 7-story building with a floor space of more than 5,000 square meters was put up in Harbin using the new-type building materials produced by this base. A non-stop mechanical production procedure has been adopted when fully completed in 1981, the base will turn out annually new-type building materials for buildings totalling 500,000 square meters' floor space. Heilongjiang Province possesses good natural resources for developing new-type building materials, such as the large amount of coal ash and gangue discharged by the large amount of coal ash and guangue discharged by the province's four big power plants and four big coal mines as well as the pumice and volcanic ash from volcanic eruptions. [Beijing Xinhua Domestic Service in Chinese 0720 GMT 17 Sep 80]

XINJIANG PLA REPAIRMAN--Urumqi, 6 Sep--Wang Shaofen, a repairman of the Telecommunications Repair Service Center under the Bayangol military subdistrict in Xinjiang, has successfully developed and manufactured a bridge-type push-pull circuit enlarger. This device can reduce the rate of damage to power tubes and protect transistors from damage. He was commended at a scientific and technical meeting recently held by the Urumqi PLA units. [Beijing Xinhua Domestic Service in Chinese 0126 GMT 6 Sep 80]

LIAONING INDUSTRY MEETING--The Liaoning provincial experience-exchange meeting on enlivening industrial production, sponsored by the Liaoning Provincial Party Committee and the Provincial People's Government, was held 11-17 September in Dandong municipality. The meeting stressed the need to eliminate the pernicious influence of the ultraleft ideology, contending it is the biggest obstacle to developing industry. The meeting urged all localities to further emancipate minds and prepare for a drastic reform of the economic system, expected to materialize in the near future. [SK220505 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 21 Sep 80]

SHAANXI DEFENSE INDUSTRY--Xian, 20 Sep (XINHUA)--The Shaanxi national defense industry department recently held a sales exhibition of its civilian products in Xian municipality. On display were more than 300 varieties of daily industrial products including radios, record players, electric fans, refrigerators and bicycles supplied by 75 military industrial plants in the province. The exhibition showed the marked progress made by the province's military enterprises in developing civilian production over the past year. As of now, some 85 percent of the province's military industrial enterprises have combined military and civilian production and built 68 production lines for manufacturing civilian products. [Beijing Xinhua Domestic Service in Chinese 0213 GMT 20 Sep 80]

BRIEFS

JILIN RURAL HOUSING--Jilin Province has expedited building houses for rural commune members. In 210 experimental brigades, a total of 1,825,000 square meters of houses have been started. This is nearly the combined floor space of houses built in rural areas from 1976 to 1979. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 20 Sep 80]

JILIN MUNICIPAL APARTMENT--Jilin Municipality, Jilin Province, has decided to build an apartment building with a total floor space of 5,000 square meters for honeymooners and newlyweds who have not been alloted homes. The apartment building, which is to be completed in the latter half of 1981, will have public facilities such as dining rooms, a nursery and small shops. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 20 Sep 80]

LIAONING HOUSING DEPOSITS--In order to encourage the people to save money to buy marketable houses, the Shenyang Municipal People's Bank, Liaoning Province, started a housing deposit service from 20 September. It is stipulated that houses will be given to the people whose housing deposits have reached half of the house's price. This year some 100,000 square meters of houses have been constructed in Shenyang Municipality and some 200,000 square meters of houses are planned for 1981. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 20 Sep 80]

ZHEJIANG HOUSING PROJECTS--Zhejiang Province has actively made use of funds from the state, various enterprises and individuals to expedite residential housing projects. In the first 8 months of this year, 2.37 million square meters of housing space were under construction and among them some 520,000 square meters have been completed. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 21 Sep 80]

CSO: 4006

DOMESTIC TRADE

MARKET SURVEY INDICATES DEMAND FOR HOUSEHOLD APPLIANCES

Ministries Issue Joint Forecast

OW230740 Beijing XINHUA in English 0718 GMT 23 Sep 80

[Text] Beijing, September 23 (XINHUA)--China will have to produce at least two million electric fans annually in the next five years to meet the growing domestic demand, according to a joint market forecast by the ministries of light industry and commerce.

This is the first national market forecast ever made by the two ministries since the founding of new China. They are seeking ways to better coordinate production of household electrical appliances for domestic consumption in the next decade.

The report says that the demand for electric fans is expected to reach a peak by 1985 and its growth rate will drop year by year afterwards.

The market demand for washing machines will be one and a half million in 1985, the report forecasts. Four hundred thousand families in Beijing, about one third of the city's urban households, are likely to buy washing machines in the next few years.

After 1985, many families will turn their attention to semi-automatic or automatic machines.

The report was prepared by the two ministries after an investigation of dozens of shops and factories and more than 1,000 families in 13 cities and towns. It also forecasts the market demand for refrigerators, electric irons, dust-absorbers, air-conditioners and electric cookers.

Based on an analysis of present living conditions, wages, bank savings and prices, the report notes that families with average incomes and below are not likely to buy big and expensive appliances, but they will buy table fans or cheap washing machines in the next few years. There will be little demand for refrigerators in Beijing in the next two years and air conditioners are still beyond the consideration of most families.

The investigation shows that in Guangzhou there are already seven fans to every ten families, but some families will buy one or two more in the summer.

By the end of last year, the average savings account for each family was 900 yuan in Shanghai and 500 yuan in Guangzhou. Household appliances priced below this level have thus become ready sellers in both cities.

Market Survey Conducted

OW220834 Beijing XINHUA in English 0819 GMT 22 Sep 80

[Text] Beijing, September 22 (XINHUA)--Of Beijing's 1.2 million urban households, 400,000 are likely to buy washing machines in the next few years, according to a market survey by the Beijing Home Electrical Appliances Company.

There will be little demand for refrigerators in the next two years and air conditioners are still beyond the means of most city dwellers, the survey says.

The company, an amalgamation of several factories, was set up last year in response to the city's growing demand for electrical appliances. Its poducts include washing machines, electric fans, refrigerators, air conditioners, irons, electric heaters and hair dryers.

Li Kuanxian, head of production, said sales began to increase a year ago when workers were given wage increases and bonuses and demand soon outstripped production.

Beijing's only washing machine factory, run by the company, produced 6,900 machines last year and another 28,000 between January and August this year, but this is still short of the demand. The company is now trying to boost its output to 150,000 annually.

Electric fans were also in great demand this summer. In the first eight months of this year, the company's three electric fan factories produced 11,000, but they expect to have to increase their output to 50,000 to 80,000 a year to satisfy the market.

The company's survey says the city produced 17,000 refrigerators between January and August, which is enough. Li Kuanxian said: "Refrigerators are too expensive for most people, and they use too much electricity. We are trying to improve the design and produce cheaper and better ones to bring them within the reach of most city dwellers."

Air conditioners are still considered luxury items. The city plans to produce 2,000 units this year, but buyers were mainly government offices, scientific institutions, hotels and hospitals. Few individuals cared to ask.

CSO: 4020

DOMESTIC TRADE

RETAIL SALES OF COMMODITIES UP IN XINJIANG

OW161308 Beijing XINHUA in English 1257 GMT 16 Sep 80

[Text] Urumqi, September 16 (XINHUA)--Retail sales of commodities in Xinjiang Uygur Autonomous Region went up by 15.1 percent in the first seven months of this year, compared with the same period of last year, according to the regional commercial department.

Sales of manufactured goods, notably bicycles, sewing machines, radio sets, wristwatches, television sets and knitwear, showed a marked increase. Favorite items of the Uygurs, Kazaks and other minority people, such as silver ornaments, musical instruments, velvet and silk kerchiefs and national costumes, once in short supply, registered brisk sales.

In Ili Kazak Autonomous Prefecture in Xinjiang, six trade fairs have been held since the beginning of this year. Major reasons for the heavier turnover are increased income of peasants and herdsmen and a wage hike of government and factory workers. The department said: This year's payroll for workers in government organizations and state-owned enterprises is 276 million yuan more than last year.

Per capita earnings from the production teams last year was 29 yuan more than in 1977. Many families made more than 400 yuan a year from domestic sidelines including fruit crops, livestock, beekeeping and medicinal herbs.

It is estimated that this year people's communes and individual peasants in Xinjiang will sell 134 million yuan more in farm and sideline products to the state than last year.

CSO: 4020

BRIEFS

BEIJING PRICE INSPECTION MEETING--The Beijing Municipal Government held a meeting on 26 August to sum up price inspection work. In May and June this year, the units concerned carried out keypoint inspection in the prices of industrial and commercial production and discovered many problems. Some units were dishonest and raised the prices of goods or sold substandard goods. The inspection team thus carried out education and imposed penalties on them. However, some good units were found during the inspection and were commended. The aim of this inspection was to make inspections regular, systematic and familiar to the masses. Leaders of the municipal government stressed at the meeting that price work is very important and complicated. We must make appropriate readjustments and enliven the markets. This is directly related to the people's stable livelihood and and the progress of the four modernizations. Leaders at all levels must work hard and proceed from the far-reaching interests of the state to improve price work. [Beijing City Service in Mandarin 2300 GMT 30 Aug 80 HK]

SHANGHAI COMMERCIAL, SERVICE WORKERS--Shanghai, 21 Sep (XINHUA)--With 300,000 commercial and service workers competing to be named "best shop assistants" or "best service workers" in a public poll, Shanghai is now offering improved services to customers and passengers in a variety of ways. More than 250 stores on the Huaihai and Nanjing roads--the city's two busiest shopping centres--have lengthened their business hours and are running night markets. Nearly 1,000 shops in the city's downtown districts have received 19,000 letters of commendation in the past 2 months. The new commercial activity has also had its effect on the city's service trades. Workers on the buses, and in the shipping and railway departments, civil aviation, banks, bookstores and post offices have also improved their services and hope to be chosen the "best service workers." [Beijing XINHUA in English 0754 GMT 21 Sep 80 OW]

SHANGHAI LABOR PROTECTION--The Shanghai Municipal Trade Union Council held a meeting on labor protection. The meeting which ended on 6 September called on trade unions at all levels to help the management of industrial enterprises in preventing accidental death and injuries and insuring safety in production. According to the meeting, the accidental death in Shanghai's industrial and commercial enterprises in 1979 increased by 126 percent while accidental injuries rose by 364 percent as compared with 1957. Chen Jinhua, deputy secretary of the Shanghai Municipal CCP Committee and vice mayor of Shanghai, spoke at the meeting. [OW141313 Shanghai City Service in Mandarin 2300 GMT 6 Sep 80]

CSO: 4006

BRIEFS

GUANGZHOU EXPORT COMMODITIES FAIR--Beijing, 10 Sep (XINHUA)--China's export commodities fair at Guangzhou (the Canton Fair) will continue to be held and will get better and better, Fu Shenglin, vice-chairman of the coming autumn fair, has told a Hong Kong business magazine. The interview is published in the latest issue of CHINA ECONOMIC NEWS. Discounting overseas press reports that the fair will be discontinued and replaced by mini-fairs, Fu Shenglin said China will adopt more flexible and varied forms of foreign trade, including mini-fairs. Other forms of trade would include transactions by letter and cable. Fu Shenglin, an adviser to the Ministry of Foreign Trade, said the Guangzhou Export Fair is a comprehensive event whereas mini-fairs are specialized. They complement each other. The main fair is an important avenue of trade which well suits China's needs, he said. Over the past 24 years, the fair has played a positive role in the study of international markets and in expanding China's friendly relations with other countries, he said. [Text] [Beijing XINHUA in English 0956 GMT 10 Sep 80 OW]

EXPORT FAIR IN SUZHOU--Nanjing, 11 Sep (XINHUA)--China's first export fair for flowers, birds and fish opened today in Suzhou, Jiangsu Province. In one of the landscape gardens, for which Suzhou is famed throughout China, birds of scores of species, including red-billed robin, thrush and lark, are singing amidst orchid, azalea, camellia, magnolia and other flowers. Representatives of more than 50 firms from Belgium, Britain, Japan, Singapore and the United States as well as from Hong Kong and Macao are attending the fair which will last 10 days. The exhibits, numbering about 1,000 in total, were contributed by 13 provinces, municipalities and autonomous regions. Among major attractions at the fair are the 100-odd miniature landscape pots from the Guangxi Guang Autonomous Region, a karst area in southern China. The pots contain picturesque miniature mountains of stalagmite and stalactite. China began making miniature landscape pots 1,300 years ago. On display are works representing the four major schools of miniature landscape designing, namely, Suzhou, Yangzhou, Sichuan and Lingnan. [Text] [OW111335 Beijing XINHUA in English 1240 GMT 11 Sep 80 OW]

FUJIAN TOURISM PROMOTION--In the past year and a half, 90,000 foreigners, overseas Chinese and compatriots from Hong Kong and Macao visited Fujian, promoting friendly relations between our country's people and the peoples of various countries. In the first half of this year, foreign visitors to the province increased by four times over the corresponding period of last year. To solve the visitors' problems of food and lodging in the past 3 years, the state allocated 24 million yuan to the province to build more tourist accommodations, increasing the number of beds by 1,000. Some boarding houses have already been put into operation. At the same time, the people have also stepped up construction of new and old scenic spots. A number of large cars and medium-size tourist buses have also been put into operation. In Fuzhou, Xiamen, Zhangzhou and Quangzhou municipalities and Jinjiang County, through bus routes connect Guangzhou and Shenzhen. By rectifying the outlook of these four municipalities, environmental hygiene, traffic order, public order and services for tourists have been improved. [HK080714 Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 4 Sep 80 HK]

LIAONING INTERNATIONAL TRANSPORT BUSINESS--The State Council and the Liaoning Provincial People's Government recently authorized Yingkou Port to engage in the international transport business effective 1 September. This will play an active role in enlivening foreign trade in China's three northeast provinces. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 4 Sep 80 SK]

ZHEJIANG MACHINE-BUILDING INDUSTRY--Recently the China National Machinery Import and Export Corporation distributed to Zhejiang Province's machine-building industry $500,000 as a share of foreign exchange from profits in export. This is the biggest amount the industry has received in the past 10 years. Zhejiang Province has made big progress in the export of machinery products in recent years. Export volume in 1979 topped 1978 by more than 30 percent. Machine-building enterprises may use the allocated foreign exchange to buy needed equipment from the international market or import materials in short supply at home in order to further develop production. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 4 Sep 80 OW]

CSO: 4006

ACTIVITIES, PLANS OF PRC MERCHANT MARINE DESCRIBED

Moscow MORSKOY FLOT in Russian No 3, 1980 pp 42-45

[Article by A. Kalugin and A. Romanenko: "The Status of the PRC Merchant Marine"]

[Text] The present Chinese authorities are making ever-greater efforts to overcome the numerous difficulties in the maritime navigation of the PRC, particularly after proclaiming the program of the "four modernizations" aimed at a material support for the great-power ambitions of China. The accelerated development of the entire merchant marine system is viewed not only as a component part in this long-range program, but also as one of the indispensable conditions for implementing it.

In the development of this merchant marine will China restrict itself to meeting the needs of its own foreign trade or does it intend to take an active part in the international "cross-trade" shipments? Under the conditions of the most severe shipping crisis and the acute competition on the world charter market, this question is seriously alarming shipping circles in many capitalist countries.

An Abrupt About-Face

Since the PRC foreign trade is almost completely handled by sea, the dynamics of maritime shipments until recently has followed foreign trade turnover. Judging from announcements of the Chinese press, in 1978 the volume of the nation's foreign trade, in comparison with 1977, rose by 39 percent (imports by 50 percent and exports by 29 percent) and simultaneously the overseas maritime shipments increased by more than 40 percent. In 1979, the PRC foreign trade turnover rose by 29.8 percent in comparison with 1978, and was 42.97 billion yuan. Here, exports reached 20.14 billion yuan, that is, they increased by 26.7 percent, and imports rose by 22.83 billion yuan, that is, a rise of 32.7 percent. At present Beijing has disavowed economic autarchy and is loudly heralding "a bold entry into the international market."

The Chinese merchant marine was immediately involved in the "campaign for modernization." In May 1978, the PRC minister of communications announced that "by the end of the present century China will create a powerful modern maritime fleet, and deepwater ports will be built." In 1979, there was an all-China conference for merchant marine workers, and here they discussed the questions of introducing modern technical control, communications and navigation equipment in the fleet, as well as measures to raise the skills of the sailors. Last year a scientific society for Chinese maritime navigation was established, and this took a decision to produce its own printed publications, including a maritime journal.

For the development of the Chinese port system, up to 1985 there are plans to reconstruct and expand the five major foreign trade maritime ports of the nation: Shanghai, Tianjin, Huangpu, Lianyungang and Qinhuangdao. Particularly indicative for the scale of the work being planned are the plans for modernizing the port of Shanghai which presently handles 40 percent of the cargo turnover of the Chinese ports. At the beginning of 1979, plans were announced over a 3-year period of turning it into a "modern port on the level of the leading ports of the world." In 1978, here 80 million tons of cargo were handled in comparison with 42 million tons in 1972, when China for the first time allocated large amounts of money for port construction. It was announced that by 1985 this indicator will reach 150 million tons. Although the soundness of such a plan which is very reminiscent of the projects from the period of the "Great Leap Forward" is doubtful, it shows the intentions of the Chinese leadership to develop maritime trade at full speed.

A Bow to the Capitalists...

In Northern China intensive expansion is underway at Xingang, the foreport of Tianjin, the sea gateway of the Chinese capital. In 1980, here construction was completed on a large passenger terminal designed for receiving liners with foreign guests, including those of Chinese origin. China which until recently was cut off from the outside world by an impenetrable wall, is now intensely encouraging maritime tourism, hoping to turn it into an important source of foreign currency earnings. With the help of Hongkong banks, construction has been started on modern hotels. In the spring of 1979, the port of Dalian was visited by the liner "Queen Elizabeth II" which was making an around-the-world cruise, and in the FRG extensive publicity has been started for a voyage on the passenger vessel "Aquamarine" which will call at four Chinese ports. The Western tourist agencies are urging a visit to the exotic East behind the raised "bamboo" curtain. To facilitate the pilgrimage of foreign tourists and businessmen to China, ferry service is to be organized from Hongkong to Guangzhou using a skeg hovercraft produced by the firm Hovermarine.

The accelerated construction of new piers has made it possible to increase the capacity of Chinese ports in 1978 by 13 million tons. Over the first half of 1979, the main maritime ports of the PRC handled 140 million tons of cargo. Without limiting themselves to mere appeals to "take heart,"

the Beijing regime has returned to the piece-bonus wage system for port workers, and this has contributed to a rise in labor productivity. Nevertheless, the vessels continue to stand idle for a long time awaiting processing and cargo working operations. According to information in the foreign press and upon the admission of the Chinese press itself, up to now it has not been possible to eliminate these stoppages. Here an acute shortage of high-powered cargo handling equipment is felt. The problem is also complicated by the fact that the spurs and transport arteries linking the ports to the inner regions of the country cannot handle the increased volume of shipments and also need reconstructing.

China has turned for help to the Western firms, and chiefly to the Danish diversified concern "East Asiatic" which previously played the role of the intermediary in Chinese grain imports from North America. Now this concern has signed a new contract with China, promising to provide assistance in modernizing the ports, developing all maritime navigation, as well as river and other types of transport. Dutch banks have been involved in the financing of two capital-intensive projects. For the purpose of studying foreign experience, China has sent delegations to the ports of Canada, Great Britain and other countries, and has also called in foreign experts for consultation. As has become known, the PRC is placing great hopes on the introduction of progressive shipping methods, and in particular the development of the transporting of general cargo in containers.

The Interest in Containerization

Although the official Chinese press has recently begun speaking about containerization, interest in it goes back to 1973. Then, at the request of the PRC, Japanese shipowners began experimental shipments of batches of containers between Shanghai, Guangzhou and Japanese ports. Later containers from the PRC, after transloading onto large ocean-going container ships, began to move to North America. Every year the Hongkong terminals were more and more involved in the Chinese exports to the United States and Canada. Reconstruction and electrification of the main rail line connecting Hongkong with the not-distant port city of Guangzhou are in full swing. The first container trains began moving over the PRC railroads, but the maximum container load is limited to 5 tons due to the light transloading equipment. This also impedes the transporting of large-tonnage containers by sea.

In opening wide the doors to foreign capital and in setting up "export industry zones," the Chinese leadership on an extensive scale is endeavoring to organize assembly enterprises and other affiliates of the Western companies attracted by the unlimited labor resources of the nation. One of the conditions for the "marriage between the Chinese labor force and foreign technology," as this phenomenon is sometimes termed, will be intensive and regular shipments of piece and crated freight in both directions. Moreover, the PRC is increasing its imports of foreign equipment and materials and to the maximum possible degree is orienting its light and food industries to exports. Hence arises the problem of sea container

shipments in which the trade partners of China are becoming very interested as China is drawn into the orbit of the world capitalist economy.

In anticipation of profits, the major monopolistic capitalist shipping associations have rushed to China and containerized lines are being introduced to the ports of Japan, the United States, Western Europe and Australia. Three Japanese companies which head the "Big Six"--Nippon Yusen Kaisha, Mitsui OSK Lines and Kawasaki Kisen Kaisha, are operating small container vessels on the PRC--Japan run. The West German company Rikmers Lines is planning to use the two multipurpose vessels ordered by it with a capacity of 600 containers for regular shipments between the European and Chinese ports. There is reason to hurry as the cargo turnover between the FRG and China, for example, in just 1 year alone doubled, and in 1979 the port of Antwerp transhipped approximately 750,000 tons of Chinese import and export cargo.

The American company Lykes Bros Steamship has agreed to resume its direct regular shipments to China which it had halted after the victory of the People's Revolution in 1949. The other U.S. shipowning corporations such as the American President Lines, Sea-Land, and United States Lines do not intend to remain on the sidelines with the possibility of profiting from the assumed increase in American-Chinese trade. Representatives of the first of them have already visited Beijing.

With the aid of one of the Hongkong firms which is a tested partner in commercial deals, China has established contacts with the American leasing company Container Transport International, the largest owner of leased containers in the capitalist world. An agreement has been reached on building two plants in the PRC for producing large-tonnage containers with a capacity of 10,000 units each per year. Here the Hongkong firm is financing the plans and is to deliver the essential equipment and materials, while the Americans are responsible for the technology and the training of Chinese personnel. The manpower is to be provided by a shipyard in Guangzhou, where the first plant should go into operation during the current year. The company Container Transport International has stipulated an exclusive right to all the product of the Chinese enterprises which produce the containers for the first 5 years, or approximately 100,000 units. Their production in the PRC will cost the capitalist partners of China significantly less than even in Hongkong. In 1985, the Guangzhou plant will begin producing containers for China's own needs and for export.

Over the next 5 years they intend to equip the ports located in North, Central and South China with specialized equipment for transloading containers. For example, in Tianjin they intend to build by 1985 three container terminals. The first of them is for vessels with a capacity of 1,500 containers, and the Danish company East Asiatic was getting ready to complete it at the end of 1979.

As yet the Chinese merchant fleet has few vessels designed to transport large-tonnage containers. One of them, the roll-on, roll-off vessel

"Nankou" with a capacity of 404 units was repurchased from a Greek owner for 10.5 million dollars and has been operated on the Xingang--Tokyo--Yokohama line. Operating on the Australia run are two Chinese vessels with a capacity of 202 and 275 containers, the former "Britta Kruger" and "Elizabeth Bjornhofen." Chinese representatives are searching for new container vessels on the world market, and are inquiring about the prices for building them in Bremen. Here over the last several years, six vessels have been built for China of the standard design 36/L which is a multi-purpose vessel. For a long time to come they will be given preference over the cellular container ships.

Buying Up Second-Hand Vessels

The dummy Chinese company in Hongkong Ocean Trampling, after hard bargaining, purchased a good half of its fleet from the Danish Lindinger Rederiet, ten vessels with a tonnage of 4,000 tons each and built in 1974-1976. Each vessel can transport more than 150 containers. Certain foreign observers link this deal with the desire of the PRC to develop feeder traffic with Hongkong. A sensation was caused by the order placed by PRC dummy companies with the Japanese Kawasaki Heavy Industries Yard for building eight ro-ro vessels, three with a deadweight of 12,000 tons each and five of 6,000 tons. The Hongkong "daughter" companies acting upon the instructions of the PRC have shown unusual quickness in purchasing the multipurpose vessels designed to transport standard containers, and have also placed an order for the building of a large number of such vessels.

Substantial changes in the structure of the PRC maritime fleet are occurring under the influence of the increase in the shipments of bulk freight. China has concluded major agreements for exporting oil and coal to Japan, as well as to Brazil, Italy, the Philippines and other countries. At the same time, it has increased the imports of iron ore, grain, sugar, fertilizers and cement. This, obviously, can explain the unexpectedly energetic activities of the PRC to purchase second-hand bulk carriers, and this has even been reflected in the world market prices. The large foreign exchange outlays in this area have forced a halt in the adding to of the tanker fleet, although petroleum remains the main export item.

China is giving great attention to the purchase of even comparatively new bulk carriers. Large-tonnage vessels have been purchased such as the Italian "Sardinia UEP" with a deadweight of 92,000 tons, Norwegian and other bulk carriers with a deadweight over 80,000 tons. Ten bulk carriers with a deadweight of 45,000 tons each were ordered all at once by China at Yugoslav yards in Rijeka and Split. Another three vessels of the same class built by a Swedish yard at its own expense and unsold were advantageously purchased by the Hongkong Ocean Trampling.

China is presently building two piers for bulk carriers of up to 100,000 tons. The first is being built at the port of Lianyungang by the Danish East Asiatic concern, and is designed to load coal for export, while the second in the ancient port of Ningbo, near Shanghai, is to be used for

transloading imported Australian and Brazilian iron ore. Extremely important significance is given to the construction in Ningbo, since here the absence of a deepwater pier is one of the main reasons for deferring the major Japanese-Soviet contract for supplying equipment for a seaside integrated steel mill in Baoshan. Imported ore must be transloaded at the port of Ningbo onto smaller-sized bulk carriers and then reshipped by sea a distance of 130 miles to the piers of the mill. The Japanese company Nippon Steel in 1979 conducted extended talks with the PRC on the new conditions for delivering the equipment, including the port cargo handling facilities.

Hongkong--The Support Base for the Maritime Expansion of the PRC

The Hongkong shipping companies which are controlled by the PRC are continuing to buy up second-hand bulk carriers. The overseas press often does not even make a distinction between the activity of the PRC representatives and these companies on the old-tonnage market. The dummy companies with their flags "of convenience" have been used for many years by Beijing for concealing foreign ties, and now they are being turned more and more into intermediaries engaged in searching out, buying and overhauling the vessels in Hongkong, with the ships later being transferred to the Chinese fleet. The high "turnover" of tonnage for the Hongkong companies has been particularly characteristic in recent years.

The announcements of the foreign press have stated that one of the secret functions of the PRC shipping companies in Hongkong and Macao is to maintain close ties between Beijing and the communities of numerous Chinese emigres in the nations of Southeast Asia and which Beijing is endeavoring to use for its own interests. The overseas shipowning enterprises also represent an important channel of foreign exchange earnings for the PRC from invisible export operations.

More and more Hongkong is being turned into a support base for Chinese overseas expansion. The company China Merchant Steam Navigation which was founded here previously was the main shipowner in the group of PRC dummy companies operating from Hongkong. Now it has become a strong maritime shipping agency with six departments and 7,000 employees. Incidentally, the vice president of this company holds a position in the Bureau of Foreign Affairs of the PRC Ministry of Communications, and he also has signed the largest contract in the history of the Colony for 100 million dollars for building ro-ro vessels for the Chinese fleet.

Over the last 2-3 years, the Chinese merchant marine has been intensely added to by ' e importing of vessels previously in service. But in benefiting from the surplus tonnage on the capitalist charter market and the drop in prices, the Chinese have now begun to prefer not the "old iron" as before, but rather vessels built in the 1970's, and of one series. According to the estimates of the magazine LLOYDS SHIPPING ECONOMIST, in 1976-1978, China spent around 1 billion dollars on the purchase of 228 ships. Among the 80 vessels purchased in 1978, 47 were built after 1970, mainly at Japanese and West German yards. This new trend was also

observable in 1979. Even during the first months of last year, China purchased from the Greek Karageorgis clan three multipurpose vessels with a deadweight of 18,800 tons each and built in 1977; later there were two single-type bulk carriers from a Liberian company, and even several multipurpose vessels which had been in service 2 years, and so forth.

Entry on the World Charter Market

According to the estimate of the Bremen Institute for Shipping Economics, by the middle of 1979, there were over 680 vessels flying the PRC flag with a total deadweight of 8.9 million tons. If this estimate is not too exaggerated, then in terms of total tonnage, China occupied 14th place in the world and 2d place in Asia, and in terms of the dry cargo fleet, it stands immediately behind the first 10 countries after the FRG. Moreover, at the end of 1978, the dummy Hongkong companies owned 109 vessels with a total deadweight of 1.75 million tons. Beijing is in no hurry to publish accurate data, limiting itself to the general phrase that the "oceanic fleet of China now numbers hundreds of vessels with a cargo carrying capacity of several million tons."

The PRC continues to remain a permanent client of the London Baltic Exchange and often charters foreign vessels for a trip or under time-charter conditions. Each month an average of 10-15 tramp vessels are chartered for a trip. But even in 1977, the task was posed of minimizing the chartering of foreign tonnage. The Chinese press has asserted that its own fleet now carries more than 70 percent of the foreign trade cargo in comparison with 12.5 percent in 1965.

The new directions in the PRC shipping policy can be seen from the announcements that its fleet "is actively assuming cargo shipments for other countries and regions of the world." China has already offered its services to Singapore and Philippine shippers, having made a significant concession on the rates set by the Far Eastern Freight Conference, the association of shipowners on the lines between the ports of Western Europe and the Far East. In experiencing an extremely acute need for foreign exchange, China by all appearances intends to earn it in maritime shipping. The Chinese press with satisfaction has even noted that in 1978, the foreign exchange earnings received by the PRC from maritime shipments and port operations rose by 33.5 percent. Merchant vessels flying the PRC flag call at 400 foreign seaports.

In the shipowning circles of the Western European countries, they are following with ever-increasing anxiety as China "creates a large fleet at the expense of the European shipowners" (a statement in the SUNDAY TIMES). The former condescending and patronizing mood is now giving way to alarm. Beginning in 1970, the PRC merchant marine increased by 6.5-fold in terms of the gross registered tonnage and the rate of its growth has not declined, but rather on the contrary. The press of the capitalist countries has let the shipowners know that China by 1985 intends to obtain a fleet with a total deadweight tonnage of up to 20 million tons, and by 1990, up to 30 million tons.

The desire of the Chinese leaders not to stop at the achieved level has been substantiated by the beginning of a fundamental reconstruction of the shipbuilding industry which has been given the task of increasing the output of Chinese-built vessels. Although the domestic possibilities of the PRC are very limited and there are more than enough bottlenecks in the national economy, the technical reequipping of virtually all the main shipyards is getting started.

The modernization of shipbuilding rests on the importing of foreign equipment and the borrowing of technology. Highly placed missions from Western firms visit China in a continuous stream in the hope of profitable deals. The British Shipbuilders Corporation has even opened a special office in Hongkong in order to tap the Chinese market from here. One of the companies of this corporation has already concluded a contract according to which it will work out the designs for modernizing the shipyards in Guangzhou. Talks have been initiated on selling licenses for the series production of universal dry cargo vessels in China.

The Chinese shipbuilding centers have also been visited by the representatives of McGregor, the Danish firm Burmeister and Wain, the Swiss firm Sulzer, and others. Ship engines will be produced under licenses of Sulzer and possibly Mitsubishi. Most likely the largest order for the expansion of the Shanghai shipbuilding yards has been won by four Japanese monopolistic groups: Mitsui, Mitsubishi, Ishikawajima Harima and Hitachi. Under the conditions of a curtailment of production capacity, the shipbuilding firms of Western Europe and Japan are showing great interest in the Chinese market.

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BRIEFS

HEILONGJIANG BRIDGE--Harbin, 12 Sep (XINHUA)--A highway bridge spanning Huma River in Heilongjiang Province was recently completed and opened to traffic. The 396-meter steel highway bridge, built with modern technology, is located in Huma County in the northern border area of Heilongjiang. The bridge links Huma County with inland areas and is expected to help develop the border areas' economy. [OW181415 Beijing XINHUA Domestic Service in Mandarin 1422 GMT 12 Sep 80]

JIANGSU HIGHWAY CONSTRUCTION IRREGULARITIES--XINHUA RIBAO of Nanjing, Jiangsu, 14 September frontpages a report on a forum attended by 8 clerks of Nanjing Branch of the Construction Bank, exposing, with a host of hard facts, violation of financial and economic regulations by the (Minglu) Highway Construction Command when the highway was under construction. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 13 Sep 80]

SHANDONG CARGO LINER--(Zhenzhuquan), the second cargo liner owned by Shandong Province, set out 16 September from Qingdao on her maiden voyage to Hong Kong. With a loading capacity of 7,600 dun, this cargo liner will regularly sail between Qingdao and Hong Kong. [SK201148 Jinan Shandong Provincial Service in Mandarin 2300 GMT 18 Sep 80 SK]

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China Report

ECONOMIC AFFAIRS

No. 91

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CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL ECONOMIC POLICY

USE OF FOREIGN CAPITAL TO SPEED UP DEVELOPMENT URGED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 2, Jun 80 pp 16-21

[Article by He Xinhao [0149 2450 3185]: "Actively Use Foreign Capital To Speed Up Economic Development"]

[Text] At present, people of the whole country, high and low, are studying and exploring ways to speed up our economic development. We think that, on the basis of self-reliance, the active use of foreign capital is one of such ways. Because our country suffered a long period of aggression and exploitation by imperialism before liberation, we had a very painful experience with the importation of foreign capital. After liberation we did make use of some foreign capital, but the scale was limited; hence we actually lack relevant experience. When Lin Biao and the "gang of four" held sway, this question even became a forbidden area. As we suggest the use of foreign capital today, it is unavoidable that people are still not free of various doubts. Therefore, theoretically we must have a correct understanding, and methodologically we must carry out penetrating studies.

Be Steadfast; Use Foreign Capital Dauntlessly

International experience proves that the rational use of foreign capital is an effective means of accelerating economic development. In the process of their economic development, almost all of the developed countries in the world today used foreign capital; nor has there been any country which attained high-speed economic development without using foreign capital. From the time of its independence up to 1911, the United States was always an indebted country which borrowed foreign capital. Before World War II, Germany imported as much as U.S. $4.2 billion in foreign capital between 1924 and 1930. In the early period of economic recovery after World War II, West Europe used as much as U.S. $50 billion of foreign capital. After World War II and up to the 1970's, Japan used about U.S. $90 billion in foreign capital at various times. As early as the 1920's and 1930's, the Soviet Union also used foreign capital; by the 1960's they were using even more, perhaps not less than U.S. $20 billion. Of the developing countries and areas since World War II, all those whose economic growth has turned

out to be faster, such as Brazil, Mexico, Singapore, etc., have for the most part used foreign capital. Relevant statistical data indicate that the economic growth of countries using more foreign capital is faster than that of countries and areas using less foreign capital or not using any at all. In 1975, of 106 countries and areas with net capital revenues, those whose per capita gross national product was U.S. $300-800 used an average of U.S. $52.40 in foreign capital per capita; those whose per capita gross national product was below U.S. $300 used an average of U.S. $25.20 in foreign capital per capita. Of course we must see that, after the importation of foreign capital, not a few countries' economies became abnormal and lopsided and their people became increasingly impoverished. The fundamental reason was that these countries lost their political independence and could not use foreign capital freely; on the contrary they were subject to control by foreign capital. We are a socialist country, politically independent, and fully equipped with the political premise to use foreign capital.

Some people are afraid that allowing foreign countries to invest in China might strengthen the assertive power of capitalism, sabotage the planned economy of socialism, or even endanger our political independence. Although this kind of apprehension is understandable, it is nonetheless unnecessary. First of all, foreign capital has a subordinate status in the entire national economy, and some key departments limit or forbid foreign capital in direct management. This serves to guarantee that, as foreign capital is actively used , our economic lifeline is at the same time firmly in the hands of our own people. Secondly, in departments and areas where foreign capital is allowed to enter, operational activities are subject to the constraints of our law and carried out only under the supervision of our relevant organs. This guarantees that only if it is consistent with our interests can foreign capital develop its activities. Furthermore, under the condition of assuring foreign capital the opportunity to obtain legitimate profits, we also convert, through economic and administrative means, the surplus value created by our workers into the financial revenues of the state, funds for expanded reproduction of enterprises, and welfare expenses for the workers. This serves to limit the extent of exploitation by foreign capital.

On the basis of the foregoing, and under the premise of insisting on the party's leadership and the socialist road, formulating correct principles and policies, relying on the efforts of the vast ranks of the people, and then actively using foreign capital will play an important role in speeding up our socialist economic development. In this regard, we must establish a correct theoretical understanding before we can adopt positive and effective actions in practice.

Be Prudent and Meticulous; Use Foreign Capital Carefully

The use of foreign capital is good for making up the deficiency in our capital, good for the importation of advanced technology and equipment, good for the promotion of the establishment of new industries, good for an increase in employment, and good for the expansion of our exports. But we should

point out that we also have to pay a price for using foreign capital. In the case of such foreign capital imported, not only must its principal be repaid in full, but also interest must be paid. From the point of view of a given period, the investment is increased; from the point of view of the entire period, the amount of capital outflow has to be larger than the amount of capital influx. Calculated according to the present level of international interest rates, in about 10 years the amount of capital outflow usually doubles that of capital influx. Hence we must be very prudent and meticulous in using foreign capital. We must stand on self-reliance, give full scope to the role of our own labor power and resources, enable them to achieve the best possible unity with foreign capital, and continue to raise our economic management level and our ability to make use of foreign capital. The economic gains from the use of foreign capital must exceed the price paid for the use of foreign capital. In order to achieve this, we should pay attention to the following questions:

I. We Must Strive To Secure Foreign Capital With Greater Benefits, and Endeavor To Reduce the Price for Using Foreign Capital

Capital pursues profits, but our use of foreign capital is for the development of our economy and the improvement of our people's livelihood. A sharp contradiction therefore exists between the two aspects. The first round of struggle thus revolves around the cost of the use [of capital], and its core is the interest level involved. If we wish to strive for the kind of foreign capital that will yield greater benefits, we must achieve some understanding of the characteristics of the international money market and various kinds of capital. The sources of foreign capital today can be found basically in the following categories:

(1) Official funds: These are mainly fixed sums of funds allocated yearly by Western governments through their financial budgets. Part of these funds is directly loaned to foreign governments on a bilateral basis, called bilateral loans or aid, in the forms of grants, loans, and development loans; another part is loaned to foreign governments or enterprises through international institutions, called multilateral loans or aid. The former category makes up 80 percent of such official funds; the latter, 20 percent.

Multilateral loans or aid is issued mainly through the following international institutions: (A) The International Monetary Fund, which mainly supplies loans aimed at balancing international receipts and payments. Its present lending capacity is U.S. $50 billion, most of which has already been borrowed. (B) The International Bank for Reconstruction and Development, namely the World Bank, which mainly supplies special loans for the development of production. Up to June 1978, loans approved amounted to U.S. $33.1 billion; loans issued, U.S. $19.4 billion. (C) The International Development Association, which mainly supplies loans with the greatest benefits to the least developed countries. (D) The International Finance Corporation, subordinate to the World Bank, which supplies favored loans to private enterprises in the least developed countries. (E) Regional economic commissions and local development banks under the jurisdiction of the United Nations, whose lending capacities are all rather limited.

The characteristic of official funds is their low interest, an average annual rate of 2 percent, and their long term for repayment, an average length of 30 years.

(2) Private direct investment: This is supplied by enterprises, banks, or private individuals to foreign governments or enterprises mainly by way of investing in the establishment of factories in the recipient countries and purchasing stocks of enterprises and other assets. The characteristic of this kind of foreign capital is that the capital-importing country does not undertake the duty of repayment directly, but mainly allows foreign capital to secure profits from its operations.

(3) Exports credit loans: The credit loans provided by the governments of Western countries for the sake of encouraging capital and commodity exports are actually semiofficial credit loans. They usually provide credit loan guarantees through special institutions or provide direct loans. Such loans may be granted to export merchants, or they may be granted directly to import merchants. These kinds of loans have the following characteristics: (A) they usually stipulate the purchase of equipment from the granting country; (B) they are usually granted in the lending country's currency; (C) they are granted only up to 85 percent of the amount of the trade contract; and (D) their interest rate is fixed and subject to the constraints of international agreements, and generally speaking such interest rate is relatively low. At present, the following interest rates are in effect:

	Rich Countries	Medium Countries	Poor Countries
2 to 5 years	7.75%	7.25%	7.25%
5 Years & Above	8	7.75%	7.5%
Longest Term of Credit Loan	5-8 Years	8.5 Years	10 Years

(4) International currency market capital: This capital is made up of foreign exchange deposits absorbed by the private banks of various countries and the U.S. dollars deposited outside of the United States by American banks. These banks are engaged in the international credit loan business, and they individually or jointly supply loans to foreign countries.

The way currency market capital is extended is differentiated into direct lending by banks and the issuance of bonds. Bank loans are divided into long-term, medium-term and short-term loans. Interest rates for such loans differ with market fluctuations, so they are different in different periods, according to different currencies, and on the basis of different terms. The interest rate for hard currencies is lower, and that for soft currencies is higher. In bond issues, the issuer determines the total and the individual amounts of such bonds, which are sold in the currency market and bought by foreign banks or private individuals. The interest rates for such bonds are close to market loan interest rates, and they are usually fixed. Bank loans have increased at a faster rate in recent years; in 1978 they made up about 60 percent of the currency market capital, and the bonds made up about 40 percent.

In 1976, the structure and scale of international capital are roughly as follows:

Official Funds	U.S. $15.465 billion	making up	17.10%
Private Direct Investment[1]	" 23.6 "		26.2 %
Export Credit Loan[2]	" 4.150 "		4.6 %
Currency Market Capital[3]	" 47.0 "		52.1 %
Of These, Bank Loans	" 19.0 "		21 %
Bonds	" 28.1 "		31.0 %
Total	" 90.215 "		100 %

In selecting foreign capital, we should adopt many channels. On the basis of our present relations with the Western countries, it is possible to secure some official funds, such as Japan's development loans, etc. But the amount we can secure will be limited. The source of direct investment from foreign countries is greater, but the initiative is not entirely in our hands. The most secure and most assured, with also more favorable conditions at present, are export credit loans, which should be the key in our use of foreign capital. The interest rate of currency market capital is relatively high but, on the basis of relevant investigation and study, this can also be appropriately used; the constraint of bond issuance is minor and the interest rate in question is fixed, so we should really strive to secure its use.

II. We Must Adopt More Advantageous Ways To Use Foreign Capital According to Specific Conditions

There are basically three ways for us to use foreign capital:

(1) Capital in the form of credit loans, including the use of deposits by foreigners in our foreign exchange banks, export credit loans, medium-term, long-term, and short-term credit loans in the international currency market, favored loans of foreign governments or international organizations, as well as issuance and sale of bonds on the international market, and certain compensatory trade. (2) Credit loans in the form of commodities, including the processing of imported materials, assembly of imported parts, and certain compensatory trade. (3) Direct foreign investment, including joint management and independent management by foreign countries.

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[1] Directed investment of developed capitalist countries in developing countries, plus net amount of direct investment between such developed capitalist countries themselves.

[2] Indicates only export credit loans to developing countries.

[3] The given year's net loans and net newly issued bonds.

[4] Not including loans supplied by the Soviet Union and East Europe to other countries.

There is a common characteristic involved in this regard no matter what forms are in question, and this is that, through the ownership of such capital, foreign creditors get the chance to share the new values we create by using the capital in the realm of our production. Because the different ways of use make a difference in the degree in which such new values can be shared, there therefore is also a difference as to how much resultant benefit there would be for the other side.

In the aforesaid case of capital in the form of credit loans, our use of foreign capital can be more independent and flexible. The interest on such foreign capital is fixed in a definite range, and there is usually a general international level to follow. After such interest payments are set aside, too, the gains from the use of the foreign capital become entirely our own, so that this makes our own gains greater. Its defect is that, in this case, the production and exportation of products must be handled entirely by ourselves, and we are not sure in advance how this foreign debt is going to be repaid. This method is generally suitable for adoption under the condition that the production and sale of products can be solved by ourselves.

In the case of processing imported materials and assembling imported parts as credit loans in the form of commodities, their procedures are simple, they are good for making use of our idle equipment and labor force, and the sale of resultant products is assured. But by this method, processing fees are fixed in a definite range, most of the gains created by improvements in production become those of the owners of the foreign capital, and the economic gains on our side are hence not very great. Sales channels are forever closed to our side as the user of foreign capital. This way is generally suited to the production of temporary, piecemeal, minor commodities. In all cases where regular, large batches of commodities are involved and we can handle our own sales, it is best to adopt the system of processing imported materials and exporting the products ourselves, and our reward system for earning of foreign exchange should encourage the processing of imported materials.

Compensatory trade has certain merits as a way of processing imported materials and getting loans, such as the guaranteed sale of products, interest on foreign capital being in a definite range, independence in enterprise management, etc. However, the procedures for this method are complicated and detailed, the sale price of products and the revenue of the enterprise are subject to greater influence from changes in the future market, and hence the risks are also greater. This way is generally not suitable for adoption in a situation where we cannot solve the sale of the products ourselves. In the case of traditional commodities and commodities enjoying smooth sales, there is generally no need for compensatory trade. If importation of foreign capital is needed because of a lack of capital, it is still better to adopt the method of securing loans.

In the case of joint management in the aforesaid form of foreign direct investment, both sides are responsible for running the enterprise in common and sharing its gains and losses in common, and for taking the risks in the production and sale of the products in common as well, but the sense of responsibility on the part of foreign capital would be stronger, and hence this is good for importing advanced technology and advanced management methods. Its defects are that the profits for foreign capital are enhanced along with the development of production, the period for collection of such profits is lengthy, and the portion of the economic gains being drained away is far greater. This is even more true in the case of independent management by foreign capital. This way is generally suitable only in a situation where we cannot do anything about the techniques for producing and selling the products ourselves. When this way is adopted, we must aim at importing relevant technology; if the goal is merely to solve the question of capital, it would be more advantageous to adopt the loan method. In the main, Japan acquires foreign capital by taking out loans, while Singapore's main way of using foreign capital is to absorb foreign investments; both have made a go of their economies. But Singapore's payment of interest on and profits from foreign capital is far greater, so its actual income is far less than that of Japan.

When we use foreign capital, various ways can be adopted, but we should for the most part take our loans. We must insist on the spirit of hard struggle; we cannot choose a way to use foreign capital from the standpoint of enjoying convenience or saving ourselves some trouble.

III. We Must Endeavor To Improve the Results of Using Foreign Capital

Among the results of the use of foreign capital, there are results for the national economy (or overall results) and results for the individual enterprises. Results for the national economy are reflected in the improvement in the results of social capital, and results for the individual enterprises are reflected in the level of profits of those enterprises.

The improvement in the results for the national economy is significantly related to the investment orientation of foreign capital. For instance, if used in the field of electric power, of communications, it can serve to activate a series of other industrial developments; if it is used for a hotel or a hospital, then the role it plays is localized. Hence, generally speaking, foreign capital should mainly be used for productive investments, and not invested excessively in consumptive departments. But we cannot make such investment orientation absolute, because the high-speed development of the national economy depends on a comprehensive balance of various departments for its realization; when certain departments have a shortage, they become a key affecting the overall development of the economy, and if foreign capital is invested in these departments, it will then help reap the greatest overall results. Consequently, the investment orientation of foreign capital should be flexible according to the needs of the time.

Economic results for the individual enterprises are the foundation of the results for the national economy; under most conditions, the two are usually consistent with each other. When the investment results of an enterprise using foreign capital are good, the whole country's capital coefficient is liable to decrease and the economy is likely to develop at a higher speed. The work of accurately appraising and calculating the results of the use of foreign capital is relatively complicated but very necessary. We should continue to make efforts to strengthen our study, formulate pertinent criteria, and gradually improve it. Some indicators that can be calculated should be specifically prescribed. In the case of an enterprise using foreign capital to produce export products, for instance, its foreign exchange profit rate must exceed the interest rate, and its exchange rate should not be lower than the average exchange rate for all the country's export commodities, etc.

In order to give scope to the role of foreign capital, we must create various conditions, such as complementary capital, balanced resource allocations, etc., so that after foreign capital is invested, pertinent production capacity can quickly take shape.

IV. Master Well a Rational Limit of Indebtedness

Using a bit more foreign capital can really accelerate the development of the economy, but the amount of foreign capital to be used cannot be determined at random. There is a rational limit which exists objectively in this regard, and it is also subject to certain external limitations. This limit comes from both the domestic and external considerations.

The domestic factor is mainly the ability of the indebted country to absorb, use, digest and repay such foreign capital. If too much foreign capital is absorbed in a given period, ill consequences are likely to result. Under the conditions of a capitalist market economy, inflation and a rise in prices, or a serious unfavorable balance between international revenue and expenditure, are likely to occur; sometimes, both phenomena can occur at the same time. Such phenomena have occurred in almost all countries which use fairly large amounts of foreign capital. This kind of inflation is different from the consumption type of inflation; it does not immediately reduce the rate of accumulation, and the economy can also continue to grow, but this cannot keep up for very long, and class contradictions will intensify. Under our system, because of strict import controls and price controls, consequences of the capitalist kind are unlikely to occur, but troubles are likely to show up in another form, such as an inability to achieve a balance in resource allocations, stagnation in capital circulation, or inability to bring into being pertinent productive capability. Under such circumstances, the effect of foreign capital becomes adverse, and it is liable to turn into a burden. The limit of the domestic factor cannot be easily indicated by a figure; situations also vary from country to country. Generally speaking, it must be controlled within the limit where the abovementioned serious troubles are unlikely to occur. As for enterprises, along with the

expansion of equipment and increase in the possession of capital, their profit rate may decrease and their investment results may be reduced; hence, they should choose the most appropriate scale of investment. An enterprise may derive the most rational scale for the use of foreign capital through calculations made on the basis of the mutual effects of its own investment and profit rate.

The external factor is the greatest limit for the granting of loans to a country proposed by international creditors on considerations of capital security. This limit is by no means uniform in the international arena; there are no fewer than five or six publicly proposed kinds. The more widely adopted is the limit of 20 percent foreign debt service rate [1120 0280 6298 2137 3024 3764] (DSR) proposed by the World Bank; that is, the amount of principal returned and interest paid by a country in a given fiscal year on a medium-term or long-term debt of more than 1 year should be [no more than] 20 percent of the revenues it earns from commodity and service exports in that year. Any amount in excess of this limit would be regarded as overburdening the country's indebtedness, pointing to the danger of eventual default; hence, a creditor country would often decline to make the loans. The foreign debts of most countries and areas in the international arena today fall within this limit. In 1976, of the 57 principal indebted countries and areas among the developing countries, 50 were within this limit, and only 7 exceeded it. These latter included Brazil, Mexico, Bolivia, Peru, Egypt, and Pakistan. Countries in East Europe and the Soviet Union nearly all exceeded this limit. Those countries which exceed this limit are usually the ones with abundant resources, a great potential in exports, abundant deposits of foreign exchange, or faster economic development. From this, we can see that, for most countries, a DSR of 20 percent does play a role, but certain countries with a greater ability to use foreign capital may exceed this limit.

Our rational limit for using foreign capital should be considered from the standpoint of our domestic ability and external conditions. From the standpoint of domestic ability, our present ability to use foreign capital is not necessarily very great; in recent years, the capital required for every increase of 1 yuan in the national revenue has been twice as high as in the period of the First Five-Year Plan. The lack of proportionate development in many departments is still not quite readjusted. Our export capability is also not very great; there are only two commodities whose large-scale exports exceed U.S. $500 million, and of these, petroleum and its products are unlikely to increase in the next few years. Therefore, it is realistic in the short run to control the limit of our use of foreign capital within this repayment rate of 20 percent. We should actively yet prudently use foreign capital within this limit and carry out penetrating and meticulous work on the four links of "borrowing, using, making profits, and repaying," in order to do our best to realize the goal of using foreign capital to speed up our economic development.

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NATIONAL ECONOMIC POLICY

UPHOLD PRINCIPLE OF PRICING ACCORDING TO VALUE

Tianjin TIANJIN RIBAO in Chinese 10 Jun 80 p 3

[Article by Peng Zhenyuan [1756 6297 1254] and Li Jinq [2621 4842]: "Correctly Understand and Consistently Apply the Principle of Setting Price According to Value"]

[Text] Resolutely upholding the principle of setting price according to value in pricing is the concrete and essential purpose of price regulation. Everyone knows that the price of goods is the monetary manifestation of their value. It is an essential principle of the Marxist theory of labor value that the price of a given type of goods depends on the amount of socially necessary labor expended, and not on the individual labor expended. However, there is a prior condition to this, which is that we assume that the quality of the same type of goods is the same. Because the amount of time spent in socially necessary labor generally varies for goods of differing amounts and quality, it is generally said that, under similar conditions, the labor expended to produce high-quality goods will be greater than the labor expended to produce inferior goods. Therefore, the general prices of goods of different quality will also necessarily differ. Take cotton as an example. Because with good cotton it is necessary separately to pick it, lay it out to dry in the sun, store it, and gin it, the labor expended is greater than for lesser cottons. Therefore, the price of good cotton is necessarily higher than that for lesser cotton. It can be seen from this that goods of differing quality will all have different prices, and therefore the objective basis is price according to quality and, to use monetary terms to reflect the difference, setting prices that differ with the quality of goods.

Naturally there is another situation where, under the same circumstances, production of high-quality goods does not consume more labor than production of inferior quality goods, and in the extreme converse case may require even less labor. If we set prices according to quality, then differences will emerge between price and value, so that the price of high-quality goods will be higher than their value, while the price of inferior quality goods will be lower than their value. This type of difference is produced by the relationship of supply and demand. This is not contrary to the

demands of value regulation, but reflects the price adjustments in value regulation. Therefore, of course, regardless of circumstances, based on goods of differing quality having different prices, the implementation of high prices for high quality and lower prices for inferior quality is entirely compatible with the demands of value regulation.

Setting prices according to quality is beneficial to encouraging progress and encouraging those who have fallen behind, while promoting the development of socialist production. If an enterprise can produce goods of higher quality while using the same human and natural means, then it is the same as creating greater value. Such a firm will not only be able to compensate for the costs expended but also will obtain greater profit. Conversely, if the value created is small, the profit obtained is also small, even to the point of producing a loss. In order to make enterprises become concerned about raising the quality of goods and increasing the number of varieties, from the standpoint of economic benefit, it is necessary to earnestly employ the economic balancing pole of prices varying according to quality.

Setting prices according to quality helps to adjust supply and demand in the marketplace and to coordinate the balance between production and consumption. By rationally using prices that vary with quality, people can, based on the amount of their income, choose goods of differing levels suitable to their own needs and, as a result, better distribute society's buying power. This not only benefits the free distribution of goods among consumers and the full utilization of things, but can also satisfy the needs of differing levels of consumption. Otherwise, it is possible that the supply of some goods will not match demand, giving rise to inventories of unmarketable goods.

Setting prices according to quality also benefits the stabilization of market prices. When considering whether or not prices are stable, people always judge them in relation to changes in the quality of the same goods. Comrade Chen Yun [7115 0061] pointed out at the Eighth Congress of the Chinese Communist Party: "We should recognize that the declining quality of goods is the greatest inflator of prices. For example, if an electric light bulb that formerly could be used for 1 year can now be used for only 3 months because of declining quality, then in reality its price has been inflated threefold." Therefore, today when the quality of several consumer goods is declining, resolutely and thoroughly carrying out the general principle of setting prices according to quality benefits the stabilization of market prices and the safeguarding and expanding of the consumers' interests.

In the past, and especially before 1958, our enterprises took price regulations with comparative seriousness and stressed making use of the balancing pole of prices varying according to quality. Afterward, as a result of the agitation caused by the extreme leftist line of Lin Biao and the "gang of four," people treated price rise regulations with indifference and did not take seriously the general principle of setting prices according to quality. That sort of thing inevitably harms the development of production,

the circulation of goods, and management; its effect can only be to damage the interests of the masses of consumers. Since the "gang of four" was smashed, there have been very great changes in conditions; nevertheless, opposition to the general principle of setting prices according to quality has appeared in practical economic life.

First, prices for some goods of different grades and types are not rational. For example, in the marketplace, stocks of high-intensity light bulbs accumulate, while light bulbs of low intensity are sold out. The most important feature of this, aside from the problem of management, is the fact that the price difference between small and large light bulbs is not rational, and as a result the production of large bulbs makes a profit, while the production of smaller bulbs suffers a loss. In order to encourage enterprises to produce more goods suitable for sale, it is necessary to rationally adjust the differing prices by grades and type among goods and earnestly carry out the general principle of setting prices according to quality.

Second, some goods undergo manmade degradation or upgrading that produce incompatible prices and qualities. For example, in the trade in live pigs in separate areas, the phenomenon of excessively degraded quality and price has appeared. Sometimes the grades of some goods have been raised, but over the long term, prices cannot make corresponding upward adjustments. These conditions, called disguised degradation of prices, are not beneficial to the normal development of production or to an increase in the quality of goods. On the contrary, some units have wrenched out enlarged profits in order to conceal deficits brought on by bad management; in other cases, in order to give out large sums in bonuses, they change the trademarks or brand names of some goods, or they change the manner of trim or color, or they change the style or packaging. Meanwhile, the quality does not change at all but, conversely, the price rises a lot. These conditions are called disguised inflation of prices. In order to preserve the reputation of socialist enterprises for trustworthiness, and to guard the individual interests of the broad masses, these kinds of conditions must resolutely be corrected.

Third, some demand high prices for high-quality goods but do not lower prices for inferior goods. For example, the original price of a certain item reflected the regulation for the best type; afterward, the quality of those goods declined, but the price has not yet made a corresponding downward adjustment. Now, under strengthened administration, the quality of the item has again been raised but has not yet exceeded the original quality; nonetheless, based upon this rise, demands are made to increase the price. Obviously this is unreasonable. Setting price according to quality includes not only high prices for high quality but also lower prices for inferior goods. In order to correctly use the standard of prices varying with quality, we cannot implement high prices for high quality and not implement lower prices for inferior goods. Based on changes in the quality of products, we must carry out the general principle of setting prices according to quality, making full adjustments for both increases and decreases in quality.

In summary, in order to handle matters thoroughly according to objective economic law and completely bring into play the balance pole of prices differing according to quality, ideally we must on the one hand correctly and completely explain the general principle of setting prices according to quality, and on the other hand we must seriously and completely carry out this principle in practice. Only when these steps are taken will we be able to gain the expected good results.

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[Article by Wang Bingshi [3076 0393 4258], vice governor of Jiangsu Province: "Start from Practice, Investigate the New Situation and Solve New Problems"]

[Text] Since the 3d Plenary Session of the 11th Party Central Committee, vast numbers of cadres and workers on the Jiangsu industrial and communication fronts, proceeding from actual conditions, have emancipated their minds, paid attention to investigating the new situation and solved new problems in accordance with the party's political and ideological lines.

Over the past 2 years, attention was concentrated on studying and solving the following three problems in many places and various kinds of industrial departments:

--How to develop the regulation of the market;
--How to support and promote the collective enterprises in cities and towns as well as the rural commune-run enterprises; and
--How to carry out and effectively shake-up the existing enterprises.

Practice has proved that only by solving these three problems--in addition to enlarging the autonomous power of enterprises--will communications and industrial work be enlivened, and their development accelerated, opening up great prospects for increasing production and practicing economy.

I. On Promoting Regulation of the Market

Regulation of the market was already in existence before last year. However, we did not take the matter seriously then or even attempt to impose restrictions on its development by administrative means. Inspired by the spirit of the 3d Plenary Session of the 11th Party Central Committee, the masses of cadres and workers on the economic front emancipated their minds, getting rid of ossification and semiossification. Thus, regulation of the market has developed in an unprecedented manner.

At the beginning of last year, there were a considerable number of enterprises waiting for projects. Throughout the province, 70 percent of the enterprises in the machinery trade were operating below capacity. Owing to the erroneous estimate made of the situation concerning the relations between supply and demand, there was on one hand a shortage of commodities on the market and on the other there was overstocking of industrial products. The stockpiles of light industrial products alone amounted to as much as 200 million yuan. As for chemical fiber products, stockpiling of these goods at one stage amounted to as much as 400 million yuan, but afterwards these products were out of stock which created a severe market shortage. Owing to overstocking of products, thereby tying down a large sum of circulating funds, many enterprises failed to maintain their production levels and could not even afford to pay out wages, thus directly affecting the economic interests of the enterprises and the workers. Contradictions centered around the links of circulation. Under such circumstances, a great many enterprises, trades and professions had no alternative but to find their own markets, canvass for business orders, promote the sale of goods and purchase raw materials. Therefore, it can be said that in our province we were compelled to promote regulation of the market by proceeding from regulating commodity circulation.

For a year or so, as far as the growth of regulation of the market is concerned, we have undergone the process from regulation of circulation to regulation of production and consumption; the process of regaining initiative from a passive position; the process from a state of being scattered and spontaneous to a state of being directed under leadership and in an organized way and the process of coordination among departments of industry, commerce, material, finance and banking.

Regulating Circulation. Regulation of the market in our province started with promoting the sale of products which had been stockpiled and purchasing raw materials which were badly needed for industrial production. But now it has succeeded in closely coordinating industry and commerce, reducing circulation links, cutting costs and enlivening the market.

Regulating Production. Production should be arranged in accordance with social needs and in a more flexible way; varieties of articles should be enriched and quality improved; the sale of products which sell poorly should be promoted and enterprises which formerly waited for projects should operate at maximum capacity. Thus enterprises are bound to develop and production will be arranged in a flexible way. Take the machine building industry in Wuxi County for example. Under circumstances whereby two-thirds of the enterprises were operating below capacity, they changed direction and engaged in the production of light and textile machinery, building machinery, metallurgical machinery, petroleum industry fittings and home electrical appliances. As a result, more than 500 machine building plants throughout the county were basically put into high gear and their output value increased by 28.8 percent over the previous year.

Regulating Consumption. New changes took place in the urban and rural markets last year. Specially after the rural economic policies were put into practice, we reaped a bumper harvest in agricultural production and the peasants' income and purchasing power greatly increased. There is an even more pressing need for products of medium and high-grade and famous brands. In the case of basic necessities of life, people formerly gave priority to food instead of clothing, transportation and housing. But now housing has been put in first place whereas food comes after transportation and clothing. In regulating the market, many industrial enterprises are geared to the needs of the market, especially the rural market. They not only increased products which are badly needed but made every effort to trial produce new products and promote their sale. In addition, they expanded the production of medium- or high-grade articles as well as low-grade articles which are competitive in price and quality. Last year, more than 720 varieties and over 19,000 types of new articles were on sale throughout the province. Such products as electronic watches, multiple-function sewing machines, small-wheeled bicycles, miniature electric irons, cosmetics and food made with pearl powder and synthetic fabrics inlaid with golden and silver thread appeared on the market in batches. Regulation of the market has stimulated consumption and the increased level of consumption is bound to give impetus to industrial production.

Practice over the year has indicated that in the case of promoting regulation of the market, we have started to overcome limitations in the following six respects.

[HK230819] 1. We have overcome the limitation whereby the means of production could not enter the market. Last year, a considerable proportion of products in our provincial machine building, metallurgical and chemical industrial trades in which emphasis was put on producing the means of production were subjected to market regulation. As far as the metallurgical industry in our province was concerned, products regulated by the market accounted for more than 25 percent; whereas in the chemical industry, according to statistics compiled in 11 cities, increased output value by market regulation amounted to as much as 500 million yuan, making up over 30 percent of the total output value.

2. We have overcome the limitation whereby no industrial departments were allowed to market their own products. By setting up showcases for industrial products, establishing close contact with related shops, promoting volume sales and gaining orders, and setting up retail departments marketing their own products, the industrial departments sold part of their own products, directly heeding the opinions and comments of consumers and commercial departments. Thus they could get directly in touch with the consumers or users. Generally speaking, in dealing with the matter of industrial enterprises marketing their own products, everything was arranged in line with the consultation between industrial and

commercial departments concerned. The scope for marketing of one's own products was confined to products not included in planning; products in excess of the production quota or retained after the production quota was fulfilled; products not purchased by the commercial departments or produced without relying on the supply of raw materials from the state; and trial-produced products which were not put into series production. However, products included within the state purchase and marketing monopoly or rationed products only purchasable by coupons should be strictly controlled in accordance with the relevant state rules and regulations.

3. We have overcome the limitations of different regions. Apart from insuring the materials and commodities which are allocated and purchased by the state in a unified way, many enterprises have overcome limitations in administrative areas. They sell their products not only within the province but also throughout the country; the products of the commune-run enterprises are not confined to local markets. Instead, they are marketed all over the country. Simultaneously, any enterprises from different regions are welcome to promote the sales of their products and the local market is no longer monopolized by the local enterprises. Take "hongmei brand" plastic cameras produced by Changzhou City for example. As they sold poorly for a long time, the factory suffered heavy losses for 3 years running and was on the brink of bankruptcy. Last year, the factory tried every means to promote sales in various parts of the country and entrusted the Wangfujing Department Store in Beijing as its commission agent. Since then, the situation has turned for the better. Last year, though the output was six times that of the previous year, it failed to meet the needs of the market.

4. We have overcome the limitations of different trades. The machine building, metallurgical and chemical industries are geared to the needs of the light industrial market and aim at serving the expansion of the light and textile industries. Products of our provincial machine building industry which suit the needs of the market--such as film projectors, cameras, refrigerators, air conditioners and electric fans--have increased by a wide margin.

5. We have overcome the limitations whereby military industrial enterprises are now assigned to manufacture products for civilian use. To bring the war production of our province into full play and implement the policy of "Integrating the Army and the People, in Peace and War Times," a great number of military industrial enterprises have increased production of products for civilian use. In the course of promoting production for civilian use, priority should be given to developing products whose variety and technology are similar to military supplies--such as electronic products, domestic electrical appliances and medical apparatus and instruments which are badly needed in the market. Last year, the proportion of products manufactured for civil use in the military industrial enterprises of our province rose from 27 percent in 1978 to more than 40 percent.

6. We have overcome the limitations whereby socialist enterprises cannot compete with one another. They are encouraged to compete with each other in raising quality, lowering consumption, providing good service and achieving better economic results. In so doing, impetus is given to the socialist emulation drive--emulating, learning from, catching up with, helping and in turn surpassing each other. Through competition, many products sell well and enjoy high prestige. This has resulted in a change from the state of monopoly that used to exist. Some enterprises realized that even goods of a well-known brand should try hard to find their own market. As far as the Suzhou region is concerned, in the course of competition, attention is given to obtaining accurate figures about the market, achieving a fast turnover, improving quality and quantity, providing good service and making the price more competitive. Naturally, competition will lead to price fluctuation. However, the actual situation is that most of the prices are down and only a few are up. According to investigations and statistics of the prices of 807 items produced in the Suzhou area, most of the prices floated downward and only 23 items of goods which are badly needed were 4.5 percent higher than the retail price.

With the development of market regulation, industrial departments and enterprises began to pay close attention to the strengthening of managerial skills. While relying on cooperation between commercial departments run by the state and supply and marketing cooperatives, we have gradually established industrial departments in the cities and towns and three-grade industrial supply and marketing managerial departments in the districts, counties and communes (where there are many industries). They are in charge of purchasing raw and semifinished materials, marketing the manufactured goods, receiving production task and investigating market conditions. They have played an important part in the market regulations. [HK230821] At present, managerial structures corresponding to market regulation have been set up from the higher levels to the grassroots in several localities and trades throughout the province. At the same time, people have raised their comprehension of managerial skills and attached great importance to the building of the ranks of supply and marketing personnel. The leadership at all levels fully affirmed the enthusiasm for work and the spirit of hard struggle by the supply and marketing personnel, praising them for "traversing thousands of mountains and rivers, resorting to all ways and means and enduring all kinds of difficulties and hardships." The leadership shows great concern for them politically, supports them in their work, takes care of them in their daily life and fully mobilizes their enthusiasm for socialism. In some places, training classes were run for them in order to raise their vocational levels. In addition, their families are properly taken care of to enable them to work without anxiety about home life. In other places, the industrial supply and marketing personnel of the communes and brigades were organized with veterans helping the newcomers and the practice of "purchasing, marketing and communications being linked in sequence" was exercised.

It is natural that different views on market regulation emerge during the process of developing market regulations. Judging from practice over the past year, our market regulation and that which occurs in capitalist society are entirely different in nature.

Whether in production or circulation, market regulation based on socialist public ownership is carried out under the situation of the absolute predominance of ownership by the whole people and collective ownership. The products of the enterprises are, to a varying degree, related to state plans directly or indirectly, and restricted by the latter. The above-mentioned market regulation is not inevitably related to capitalism. It is socialist in nature and that is unquestionable.

Planned regulation and market regulation are closely related, mutually complementary and overlapping. First of all, state plans should be fulfilled but it is impossible and unnecessary for state plans to monopolize everything. Once Lenin pointed out, "So far as we are concerned, a complete and genuine plan is nothing but a 'bureaucratic pipedream.' We must not seek such a pipedream." Last year, after being converted into output value, the production plan drawn up by the state, province, and provincial bureaus accounted for 60 percent of the gross industrial output value of the whole province and the products arranged by the districts, counties, communes and enterprises accounted for 40 percent. Even the shortage of products, raw and semifinished materials, fuel and power which are within the state plans are to be made up by market regulation. So market regulation is an indispensable supplement to state plans.

Market regulation as practiced by us, is carried out in a guided and organized way and does not develop in a blind free-for-all as it does under capitalism. The guidance of state planning over market regulation depends not only on the guidance of plans but mainly on the implementation of the party's lines and policies, on the planned arrangement and support of the various departments concerned in such categories as materials and technology as well as supply and marketing, and depends on the application and elaboration of economic levers--such as taxation, price credits and investment—on the overall arrangement of long-term planning and coordination between specialized departments and on the guidance of economic laws and economic judicial organs.

The social wealth accumulated as a result of market regulation will increase accumulation for the state, income for the enterprises and personal income for the individuals according to the principle of "to each according to his work." It will never be converted to private capital.

Proceeding from social demands, the expansion of market regulation has increased market commodities and enlivened the market rather than creating chaos. It is supplementary and not redundant to state plans, and conducive to the transition to socialist mass production.

In short, market regulation will continue to develop. We should clarify our thinking, be well informed about the quotations on the market and well versed in our professions. All channels should be unimpeded and barriers opened up. Only when the enterprises are given greater powers of self-management can market regulation be carried out in a better way and the economy run with greater flexibility. Contradictions that have emerged in developing market regulation need further investigation and study so as to "foster merits and overcome demerits."

II. Supporting and Developing Collectively-Owned Enterprises

In cities and towns and rural commune-run enterprises and in the economic construction of our province, collectively-owned enterprises have become a productive force which cannot be neglected. In 1978, there were more than 22,000 collectively-owned industrial enterprises (including those run by communes) and nearly 40,000 brigade-run industrial enterprises throughout the province. More than 2.29 million people were employed in the collectively-owned enterprises in cities and towns and a labor force of 3.02 million was assigned to work in the industrial enterprises run by the communes and brigades. The output value and profits of the collectively-owned industrial enterprises in cities and towns comprised 33 percent and 38 percent respectively of the provincial gross industrial output value and the total volume of industrial profits. The proportion of the income of enterprises run by communes and brigades accounted for 42 percent of the three-grade rural economy throughout the province. Therefore, the enterprises run by the communes and brigades have become an important component part of the rural economy and a mainstay of agricultural production. Over the past few years, about half of the people who had been awaiting jobs have been employed in collectively-owned enterprises. As an important part of the socialist economy, the collectively-owned enterprises have played a great role in developing industrial production, supporting agricultural production, creating a boom on the domestic market, increasing exports and accumulating construction funds. In addition, they have played an important part in opening up great prospects for employment, raising the living standard of the peasants and building a new socialist countryside.

[HK230823] Most of the collectively-owned enterprises in the cities and towns and those run by the communes and brigades in the province are small in scale. Most of their products are not listed within the state planning. When we began to readjust our economy last year, some comrades thought that the enterprises run by the communes and brigades "had held ground amid chaos" and "would be eliminated through selection after the restoration of order." "While big factories are to be readjusted, small ones should close down." Many leading cadres worried and were afraid that collectively-owned enterprises would suffer setbacks amid readjustment. However, the facts were contrary to their expectations. In the first half of last year, the production of the majority of collective-owned

enterprises developed at a great speed and the industries run by the communes and brigades expanded at an even greater speed. Last year, in Suzhou and Nantong prefectures where collectively-owned enterprises held a predominant position, the growth rate of the gross industrial output value was 30 percent to 37 percent, far in excess of the provincial average. Last year, in the campaign for "increasing production and practicing economy," the collectively-owned enterprises fully manifested their superiority and characteristics--such as their relative independence, considerable flexibility, comparatively strong adaptability and relatively great initiative. The collectively-owned enterprises can readily readjust the direction of their products when the goods become outmoded and are no longer needed by society. In addition, they can practice the method of setting production quotas according to market demands and promoting production along with marketing. The development of collectively-owned enterprises relies on market regulation and is less dependent on state planning. Moreover, collectively-owned enterprises need not await orders from higher levels, so they are more flexible and their growth rate is much faster. In the meantime, they are economic units which have their own business accounting and resume sole responsibility for their profits and losses. All the leadership and workers show great concern for their own economic interests and the results of management. Enjoying greater powers of self-management, they can carefully select the items of their management, properly utilize manpower and materials and rationally implement the principle of "to each according to his work." All this has proved that collectively-owned enterprises have greater vitality. They have not been "eliminated through selection after the restoration of order," but instead are developing to new heights. The collective enterprises which are small in size, scattered and numerous are best suited to developing industrial productive power in our province. We should fully utilize and mobilize this superiority, and thus further promote economic production.

Last year, the Jiangsu Provincial Party Committee held several meetings and special study sessions on the issues of how to support and develop collective enterprises and formulated a guideline "suit measures to local conditions, develop the big, medium and small enterprises simultaneously with the stress on the small and medium ones, coexist for a long time with the enterprises owned by the whole people, compete with one another and mutually develop to a higher level." In implementing this line, various localities and departments have adopted positive measures and combined the development and improvement of the industries run by the communes and brigades with the readjustment and consolidation of the national economy. In line with the spirit of overall consideration and planning, all professions and trades continued to support the collectively-owned enterprises in such respects as equipment funds, technology, raw and semifinished materials and power, thus enabling them to further expand. The party committee and government at all levels have attached great importance to grasping this work and strengthened the leadership

over it. In the light of different conditions, they adopted many forms of management to give aid to and develop the collectively-owned enterprises such as the sole running of enterprises, big factories running small ones, jointly-run enterprises by factories, integrated enterprises run by the counties, communes and brigades and compensatory trade with foreign countries. Last year, there were some 110 integrated enterprises of all kinds. Of these, 60 enterprises were run jointly by the counties and communes. In Wuxi, 99 collective factories were set up last year, providing employment for 50,000 people, thus expanding production.

Last year, having a clear idea of the guideline mentioned above, we paid closer attention to giving aid to and developing the collective enterprises and those run by the communes and brigades in line with the policy of readjustment. Due to the sabotage of the ultraleft line pursued by Lin Biao and the "gang of four" and the shortcomings in our system, quite a few rules and regulations are unfair to the collective enterprises. Some localities continued to adopt the old policy of "using, restricting, and remolding" as we did in the past to the private enterprises. Furthermore, they practiced the policy of "equalitarianism, indiscriminate requisition and drawing out of loans" with regard to the funds and wealth of the collective enterprises. This made some of the collective enterprises unable to make good use of their own productive capacity and bring into full play their enthusiasm for production. Under the condition that the state has not yet formulated any policy on this matter and on the basis of investigations and studies made by the special groups sent by the provincial party committee and after careful consideration, readjustment was made with regard to the assignment of production tasks for the collectively-owned enterprises, the supply of materials, the marketing of commodities, the allocation and use of the prices and profits, the wages and welfare as well as labor insurance of the staff and workers. Besides, we still continue to stress that agricultural and sideline product processing industries should be run by the communes and brigades. In the campaign for "increasing production and practicing economy," so long as the quality of the products of the agricultural and sideline processing industries is up to standard and in accordance with the principle of being economical and rational, we should assign them production tasks without any discrimination according to the principle of overall consideration. Take the cocoon-raising areas for instance. We worked out clear regulations determining the ratio for purchase and retention of cocoons. [HK230825] This is conducive to utilizing the idle portions of small silk factories run by the counties. We protect and expand the collective enterprises by making policy measures.

Conditions should be created to improve the poor links of the collective enterprises and great efforts should be made to upgrade the managerial skills of enterprises. The pressing problems of the collective enterprises, particularly of industries run by the communes and brigades, are the shortage of managerial personnel and poor management. In supporting

and developing collectively-owned enterprises, while coordinating with various localities, the departments responsible for the work earnestly took a firm grasp of the all-around training for the leading members, thus paving the way for strengthening quality control, labor force control and financial management of the enterprises. Since the various localities attached importance to the strengthening of enterprise management, the managerial skills of the collective enterprises have been raised greatly. This is an important reason why the collective enterprises in our province can hold their ground firmly in the face of competition with big industries.

Forces from all sides and fields should be mobilized to support and develop the collectively-owned enterprises. Last year, in various meetings and relevant documents, the party committee stressed that all professions and trades should concentrate on supporting and developing the collectively-owned enterprises. In order to raise the planning sense of industries run by the counties and communes, planning commissions at all levels should help the commune-run industrial departments responsible for the work to draw up planning for their industrial growth and supply specialized equipment to the newly built or enlarged enterprises. The industries in cities and towns should help train technical personnel and supply technical materials and help the newly built enterprises go into operation as soon as possible with the method of "helping them mount their horses and seeing them off on their journey." In 1978 and 1979, we drew 75 million yuan from the reserve funds, alloted the sum to the economically poor districts and regions to develop industries run by the communes and brigades and gained good results. According to market demands, the commercial departments helped the collective enterprises readjust the direction of their products and fulfill the production task. In addition, they purchased and promoted the products of the collective enterprises. Last year, the departments of commerce and their affiliated organizations throughout the province purchased as much as 470 million yuan of the goods manufactured by the communes and brigades. According to statistics of Suzhou Prefecture, in the case of production tasks fulfilled by the commune- and brigade-run enterprises, about one-sixth of the raw materials were supplied by the commercial departments last year. By adopting the method of "the stage is set up by the commercial departments while the performance played by the enterprises is run by the communes and brigades," on numerous occasions we promoted or jointly sponsored industrial product exhibitions or trade fairs with several counties. To help the industries of the communes and brigades solve the problems of production, supply and marketing, the material departments led the industrial departments of the communes and brigades in joining the regional administrative and interprovincial activities of material intercourse, thus enabling the industries of the communes and brigades to play a role in the state's material circulation field. In addition, the material departments tried their utmost to supply raw and semifinished materials. In addition, the bank granted them low interest loans and the

financial and taxation departments carried out a policy of low tax collecting with reward to the managerial departments of the three-grade industries of the communes and brigades. Supported by all professions and trades, the growth of the collectively-owned enterprises took a big stride forward. The proportion of the output value and profits of the industrial and collective enterprises reached 40 percent of the growth output value and the total amount of industrial profits of the province respectively. The growth rate of the industries run by the communes and brigades was even faster. They have made new contributions to developing agricultural production, supporting state construction and making the socialist countryside prosperous and rich.

III. Do a Better Job of Consolidating the Enterprises and Take Big Strides Toward Chinese-Style Modernized Enterprises

On the basis of exposing and repudiating Lin Biao and the "gang of four" and bringing order out of chaos in the past few years, by combining with the campaign of "in industry, learn from Daqing" and "increase production and practice economy," we have gradually straightened things out in all work done by industry and communications enterprises. Recovery and consolidation has been basically completed in most of the enterprises and production and operation have gradually been reorganized and put in order.

After the completion of recovery and consolidation, by proceeding from the present situation of the industry and communications enterprises throughout the province, we set new demands for constructive consolidation. Our general guiding ideology is that to fully mobilize their role as the "base area" of the existing enterprises in the four modernizations, the greatest possible efforts should be made and effective measures adopted to put the existing enterprises in order. By tapping potential of the consolidated enterprises and getting the best economic results from these enterprises, we should be able to work hard to explore the experience of running Chinese-style modernized enterprises.

We should make overall plans, offer guidance to different types of enterprises and gradually put the plans into effect. Last July, we produced an initial draft for consolidation and improvement of the industrial and communications enterprises during the period of readjustment. In the working conference of industry and communications throughout the province, and that of the provincial party committee, we successively held earnest discussions and made revisions. After approval, the draft was sent, in the name of the provincial government, to various localities to be put into effect. In accordance with the program of the province, suiting their own present conditions, all localities, cities and industrial departments responsible for the work laid down rules and regulations for implementation, put forward concrete demands for the targets to be fulfilled annually and set the time and standards for checking and acceptance.

[HK230827] In carrying out constructive consolidation, we proposed different demands for different types of enterprises and offered guidance accordingly. In the second half of last year, we made an overall analysis of about 6,300 enterprises at county level and above. The general situation was as follows: Enterprises of the first type numbered 832, comprising 13.1 percent; the second type numbered 4,794, or 75.6 percent; and the third type 713, or 11.5 percent. Enterprises of the first type have improved to varying degrees since the consolidation carried out last year. Of the second type, 500 enterprises have been raised to the level of those of the first type and 203 enterprises of the third type have been raised to the level of those of the second type. Other enterprises have also improved markedly. This year we will make separate demands for the consolidation and improvement of the three types of enterprises.

Enterprises should be consolidated in the practice of realizing the four modernizations. Under the new situation, at first we had no idea of how to consolidate the enterprises. Later, after investigation and summing up experiences in various localities, we came to the conclusion that the consolidation of enterprises under the new situation differed from that in the past in content, form and emphasis. It is not isolated, stagnant, politically motivated, or consolidation for consolidation's sake. Its point of departure and aim are improvement. So constructive consolidation should be carried out in the campaign to increase production and practice economy with the stress on production, in developing market regulation and giving greater powers of self-management to the enterprises on a trial basis. That is to say, constructive consolidation is carried out in line with the implementation of the policy of "readjustment, restructuring, consolidation and improvement" with readjustment as its core, and in conformity with the practice of realizing the four modernizations. Consolidation of this kind gives inner dynamic force to the consolidation of enterprises. Last year, 131 experimental enterprises which were given greater powers of self-management combined the experiment with consolidation and pushed the consolidation and improvement of enterprises to a new height. Great changes have taken place in the management of enterprises and the enterprises as a whole. Every staff member and worker in the enterprises shows concern for the management and takes part in the business accounting of their own enterprise. Practice has proved that to grant greater powers of self-management to the experimental enterprises is, in fact, to promote their consolidation and improvement of enterprises by economic means. In developing market regulation, many enterprises spared no efforts to improve business management and did a lot of work in producing fine quality, low price goods, upgrading the quality of service, continuously raised the competitiveness of their products and strove to achieve the best results.

Drawing up standards and setting models, in the program for the consolidation and improvement of the enterprises throughout the province, we clearly drew up 5 requirements for rectifying the enterprises during

the readjustment period and 10 concrete demands for improving the management of enterprises. In line with the province's program and after learning the 12 requirements for rectifying the management of enterprises from the First Ministry of Machine Building, various industrial and communications departments of the provincial industrial sectors worked out concrete demands and detailed rules and regulations for carrying out the consolidation of enterprises according to the characteristics of the industrial departments and enterprises concerned. Provincial textile, chemical engineering, power, metallurgy and coal bureaus put forward a succession of demands for rectification and requirements for checking and acceptance of their own trades. In Wuxi, 11 bureaus of the departments of industry and communications, capital construction and materials and their affiliated organizations worked out detailed rules and regulations for checking and acceptance and the requirements for arriving at a figure, thus enabling the enterprises to have clear targets to aim at and concrete rules and regulations to follow. The consolidation of enterprises of the departments of machine building and their affiliated organizations has been carried out in a down-to-earth manner. By the end of last year, after checking and acceptance, 96 of the 100 key enterprises in the machine building industry throughout the province and one-third of the enterprises comprising all the machine building departments and their affiliated organizations measured up to 12 standards set by the First Ministry of the Machine Building Industry. Overall quality control was carried out in 89 enterprises of departments of the machine building industry and their affiliated organizations, and preliminary results have been achieved as well.

Great efforts should be made to train cadres, workers and staff and raise the vocational, technological and cultural levels of the cadres, workers and staff. To take a big stride towards modernized management, new demands are being set for the cadres, workers and staff. We consider that the building of leading bodies will be focused on having a younger, specialized leadership. Our goal is that there should be no laymen in the leadership within 3 years; in the building of the ranks of staff and workers who are urged to be both red and expert, efforts should be made to raise their quality and to enable leading cadres, technical personnel and technically skilled workers to gradually grasp the domestic advanced skills of management, technology and operation of their own branches and posts and to vigorously upgrade the skills of management, technology and operation of the equipment and technology introduced from abroad to international standards. Since last year, some 12,000 leading cadres in the departments of industry and communications, factories as well as enterprises, have received rotational training. They account for 28 percent of the total number of leading cadres in the departments of industry, communications and factories. The education of the staff and workers has been restored and developed. This year we are planning to further implement the graded training plans and raise training to a new height.

Judging from the situation as a whole, the growth of industrial production and communications in the province is facing a new turning point. From now on, the stress of our work should be placed on racing against time and raising the levels. Though our industries in the initial period are large-scaled and have been built up for 30 years with certain foundations and complete varieties, the technical skills and economic levels are relatively low and managerial skills even worse.

From now on, therefore, we are determined to raise our levels both in ideology and practical work, learn from Shanghai and the advanced experiences of other provinces, cities and autonomous regions and turn out the finest goods possible at low prices with the least possible consumption, thus achieving the best economic results.

CSO: 4006

IMPROVED MANAGEMENT, ADMINISTRATION OF TOURISM CALLED FOR

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 4, 15 Apr 80 pp 31-33

[Article by Liu Shijie [0491 0013 2638] and Wang Ligang]3769 4539 4584]: "Development of Tourism Should Be Done in a Businesslike Way"]

[Text] In order to hasten the growth of tourism and make tourism better serve four modernization construction, a major problem at the moment is creation of conditions for the gradual completion of a change in tourism from heavy government involvement to administration as a business.

1. Institution of Businesslike Management Is an Objective Requirement in the Vigorous Development of Tourism

Tourism is a burgeoning sector of the economy. The people call it a "smokeless industry," and an "indivisible trade." It is an industry in which investment is small, results are quick, costs are low, and profits great. As in other economic sectors, it requires use of economic methods in accordance with the requirements of economic laws to engage in the management of tourism. For example, it requires planned management of tourism in accordance with the requirements of planned proportional development of the national economy; strict economic accounting for tourism according to the requirements of the laws of value; and a clear delineation between rewards and punishments in accordance with the requirements of the laws applying to distribution for work done and material beneifts for doing a good job or a bad job in tourism, earning money or losing money, or being rewarded or punished. This is the only way in which tourism can move forward along the right track and the only way in which its fullest role can be brought into play in the national economy. The essence of making tourism a business proposition is the institution of independent economic accounting with accountability for profits and losses, and the arousal of the enthusiasm and creativity of business enterprises and the working masses through economic responsibility and economic benefits to propel the vigorous development of tourism. The experiences of many countries of the world have demonstrated that tourism has to be run in a businesslike way if it is to develop rapidly. Not only must economic ways of doing things be employed

within tourism, but government must also emphasize the use of economic methods and means to foster and support tourism. For example, Spain and Austria adopted liberalized credit terms with the use of low interest loans. Yugoslavia used sharing of the high volume of foreign exchange, and Japan used reduced taxes and tax free methods to encourage development of tourism. We can draw lessons from these experiences.

During the early period of the People's Republic, tourism in China consisted mainly of the reception of foreign guests and international transit business. This was because of the international political and economic situation. In 1964, the government established a travel and sightseeing management bureau primarily for the reception of foreign tourists paying their own way. As a result of the historical development of our country's tourism, and for other reasons, a guiding notion gradually developed in tourism, namely, placing the political reception of tourists first without regard for economic benefits. In the management system, tourism was run as an administrative unit and not as a business management unit. Its methodology was largely reliance on administrative directives rather than use of economic methods to develop business activities. Experience has shown that as history develops, the mentality and the ways of doing things that emphasize political reception without regard for economic benefits in the management of tourism greatly hamper the development of our country's tourism. In the case of accomodations for tourists, for example, we can clearly see the seriousness of this matter. As we understand it, in the cities of Beijing, Shanghai, and Guangzhou, there are only somewhat more than 14,300 beds for the use of foreign tourists. These, plus accomodations in other cities open to tourists, bring the total number of beds to somewhat more than 29,600. In Hong Kong today, there are more than 24,900 beds, and Hong Kong is able to receive more than 1.7 million tourists annually. Thailand has somewhat more than 39,000 beds, and is able to accomodate more than 13 million tourists annually. We, however, with close to 30,000 beds, can accomodate only somewhat more than 100,000 people annually. Why is our tourist accomodation rate so low? The reasons are many. One major reason is that our tourist hotels and restaurants are not run as businesses but rather as administrative units that are reception centers in nature. They are not concerned with accounting or efficiency or profits and losses, and they do not have quotas of foreign exchange or profits to turn in to higher authorities. On the contrary, their losses are subsidized. This shows that unless the tourism management system and management methods are changed, it will be impossible to have large scale development of our country's tourism.

Following the smashing of the "gang of four," the domestic and international political economy posed an extremely beneficial situation for the development of tourism. In 1978, China entertained more foreign tourists than in the previous 24 years. After the work focus of the entire party shifted to socialist modernized construction, the CCP Central Committee decided to vigorously develop an enlightened policy and a clear program toward tourism.

A nationwide tourist work conference also charted a plan, requiring the earliest possible change from administrative methods to businesslike management in order to carry out this arduous task.

2. Greater Autonomy for Business Enterprises Is at the Crux of Good Tourism Management

Tourism is an economic sector relating to foreign nationals that has strong policy overtones. Therefore, if tourism is to be vigorously developed, there must be a genuine strengthening of centralized and unified leadership, while at the same giving full play to the enthusiasm and initiative of tourist enterprises everywhere must be emphasized and greater autonomy must be given to business enterprises engaged in tourism.

Greater autonomy to tourist enterprises includes greater authority over personnel, funds, and materials by tourist enterprises, as well as greater authority over every aspect of administration and management. This lies at the crux of businesslike management of tourism. Only in this way can independent economic accounting be instituted, responsibility for profits and losses be fixed, and the necessary conditions be created for businesslike management of tourism. In terms of current realities for the development of tourism, the problems most urgently requiring solution through greater autonomy for tourist enterprises are granting to tourist enterprises the right to advertise for tourists, the right to manage hotels and motorcades, and the right to apportionment of foreign exchange and profits.

At the present time authority for attracting tourists to China is centralized in the old main tourist bureau and tourist agency. Local tourist businesses have responsibility only for fulfillment of reception tasks sent down to them by the main bureau or agency; they do not have the right to carry on liaison with foreign tourist agencies concerning sources for tourism. Such a management system seriously limits the enthusiasm and creativity of the broad masses of cadres and employees in tourist enterprises, and it does not yield the most from China's richly endowed tourist resources and large sightseeing facilities.

Because authority for attracting tourists is strictly centralized and managed to death, and because the capability of focal point cities such as Beijing and Guangzhou is limited and their tourist handling capacity small, a situation has come about wherein the focal point cities "cannot eat what they get," while other cities "cannot get enough to eat." If local tourist enterprises were given authority under central unified leadership for a flexible handling of tourists and the development of a regional tourist business, such a situation could be properly solved.

At the present time, tourist hotel and travel management nationwide is extremely ununified. In many places tourist units don't take care of hotels

or travel, and disjointed management is fairly serious. For tourist units not to take care of hotels and travel is like someone running an industry not caring about industrial plants. Inevitably, extreme chaos and losses will be created. Greater autonomy for tourist enterprises must thoroughly solve this disjointed management and institute a unified management so that the tourist business will develop smoothly.

Greater autonomy for tourist business must also conscientiously solve the problem of retention of foreign exchange by tourist enterprises and splitting of profits. At the present time the proportion of foreign exchange retained by tourist enterprises is small and not fixed. Were the amount retained a little larger, tourist enterprises could use it to add some modern tourist facilities to expand the scope of business so that tourist spots and tourist facilities would be more rapidly developed. Additionally, an increase in the amount of profits retained by enterprises would permit use of a portion for the collective welfare of employees of enterprises and provision of awards to individuals' which would be helpful in arousing the enthusiasm of enterprises and the broad masses of their workers. For newly opened tourist areas, during the year in which such areas are opened, foreign exchange income would best be retained by the business enterprises to help them develop tourist sites. The experience of Yugoslavia in permitting retention of large sums of foreign exchange to encourage development of tourism merits application to our own situation. Beginning in 1966 in Yugoslavia, enterprises providing services to foreign tourists could enjoy 20 percent of the foreign exchange income, and business enterprises specializing in tourism could enjoy 60 percent of foreign exchange income. Tourism in China also requires the impetus for development that economic methods such as increased retention of foreign exchange by enterprises and greater autonomy for tourist business would bring.

3. Economic Benefit Is the Main Objective in Running a Tourist Business

For a long time, because China's tourism has been run largely for political receptions, there has been "calculation of only the political balance sheet and not the economic balance sheet." This has played a definite role in the promotion of friendly intercourse between the people of China and the people of other countries, and in the development of an international united front, but the economic price we paid has been great. Under present circumstances, it must be made clear that the development of tourism and the garnering of economic benefits to meet China's needs in carrying out the four modernizations is to make a contribution to socialism. We must derive the political gain from tourism. Development of tourism can strengthen the friendly intercourse between the people of our country and the peoples of every country in the world, promote mutual understanding and friendship, bring about exchanges of economic, cultural and scientific techniques, enlarge the united front against hegemonism, and maintain the world peace.

The economic benefits of tourism depend on how much foreign exchange is taken in as well as on how much profit has been made. Every well-run tourist area must be aware of this. The Xijiaoshan tourist area in Guangdong, for example, which was started through arduous toil and operated with frugality, had 310 beds in 1978, which accomodated almost 300,000 people. Foreign exchange earnings were 1.49 million yuan; profits were 400,000 yuan, and rate of return on capital was 27 percent.

If they are to be economically viable, tourist enterprises must strengthen business enterprise economic accounting. They also must steadily develop tourist resources, build more tourist facilities, improve the quality of service, and constantly increase their ability to being in foreign exchange. At the same time, they must also make careful calculations and do strict budgeting, and manage enterprises with frugality to achieve the goal of obtaining maximum economic results from the minimum expenditure of labor. They must account for the expenditure of human labor and constantly increase the laborrproductivity rate; they must account for consumption of embodied labor and constantly increase the facilities utilization rate; they must calculate expenditure of funds and constantly accelerate the circulation of capital and economize on the use of capital. While emphasizing economic accounting, it is necessary to overcome one tendency, namely arbitrary increases in prices as soon as increased foreign exchange earnings or profit are mentioned, charging inflated prices for living accomodations, food theater tickets, or entry into parks. It must be understood that such inflation of prices will not increase income since we are running a package price system in tourism. For each tourist entering China, a fixed amount of money is given daily to the tourism authorities, and this includes expenditures for lodging, food, entertainment, and sightseeing. Therefore, when lodging expenses, food expenses, theater tickets and the cost of admission to parks are inflated, all that is changed is the ratio of distribution of the package price fees to each component. On the contrary, to do this could have extremely bad consequences. It could destroy China's reputation and cause serious impairment of tourism in China. This is an issue that must be accorded attention.

Tourism service falls into two major categories. One is the basic service of food and lodging. The other includes beverages, dancing, medical service, athletics, and sales of souvenirs, industrial arts and crafts, and goods. The first category of service is limited, the latter one is unlimited. As tourism develops, tourist requirements for the latter kind of service will become greater and greater, and foreign exchange earnings will also increase. In countries where tourism is advanced, earnings from the latter kind of service amount to 80 percent of total earnings from tourism. In our development of tourism for greater economic benefits, we must keep our eyes peeled for every available means to expand the scope of service, increase the number of services provided, improve administration and management, increase the quality of service, and strive to encourage tourists to spend more money and feel satisfied at doing so.

4. Improvement in Management of Tourist Enterprises Requires Initiative of Appropriate Competition

The tourist business is an international business. The tourist businesses of every country are located together in the world marketplace. Operating under the laws of value, they must launch fierce compeitition, and it is not possible to suppose that this kind of competition can be avoided. If China intends to develop tourism and run good tourist enterprises, it must recognize this objective situation and courageously participate in worldwide competition. Tourist funds spent during the past several years for travel throughout the world have amounted to about 60 billion dollars. Just what proportion of these tourist funds went to what countries and what businesses? That depended mainly on the competitive position of individual countries and individual businesses. If China's tourism intends to occupy a firm position in the world tourism marketplace and seek rapid development, it must become competitively superior.

A dialectic relationship exists between businesslike tourism and competition. The businesslike nature provides the conditions for competition, and competition provides the possibility for good business management. When administratively managed, tourism becomes a stagnant pond that cannot come alive. Only by making it businesslike, with autonomy in operation under the guidance of the state plan, can it be operated in a lively manner, and only then can competition begin to take place. At the same time, only through participation in competition can enterprises compare themselves with each other and appraise each other, and only in this way can enterprises have objectives from which they can learn. Additionally, since the loser in competition must run the risk of being eliminated, this inevitably places some pressure on the operators of tourist enterprises, forcing them to manage their enterprises well in order to keep their superior competitive position. Tourism in China has just begun, and abundant natural tourist resources are our most beneficial asset in the development of tourism. It must be realized, however, that we still lack experience in running tourism well, and that we have neither developed, used, nor preserved our tourist resources well. Our tourist facilities are poor, quality of service is still low, and the management level of enterprises is still not high. To turn this situation around so that China's tourism stands in the front ranks of the world will require courageous initiation of competition by every enterprise in the country, participation in the competitive ranks of world tourism, learning, in the course of competition, the beneficial experiences of foreign countries, and improvement, through competition, of our own management of tourist enterprises.

In launching competition in the world marketplace, we will have to compete in resources, in facilities, in service, and in price. In or to obtain a commanding position competitively, Yugoslavia adopted the policy of "small profits on quick turnover." In a situation in which facilities and quality of service were largely the same as in other countries, prices

that were generally 10 percent lower than in other countries attracted large numbers of tourists to Yugoslavia. In this way, though reduced foreign exchange earnings were made on each individual tourist, because of the increase in the number of tourists, the total sum of foreign exchange derived was greatly increased. This method provides us a model to follow.

9432
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NEI MONGGOL CONFERENCE REPORTS 470 JOB-RELATED DEATHS

SK281313 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 27 Sep 80

[Excerpts] The recent regional work conference on labor protection held in Hohhot urged all localities, departments and leading cadres of enterprises throughout the region to earnestly draw lessons from the Bohai No 2 accident, strictly enact state regulations on labor protection, strive to restore production safety and labor protection work to the best level on record at the earliest possible date, guarantee workers' production safety and contribute more to the four modernizations.

According to statistics compiled by a department concerned, there have been 470 accident-related deaths in the region's mines, plants and enterprises over the last year or so. To rapidly transform the region's present situation in which accident-related deaths occur frequently, occupational diseases prevail and environmental pollution is expanding to a serious degree, the conference put forth the following demands:

1. Leading groups at all levels must draw lessons from the Bohai No 2 accident, overcome bureaucratic workstyle, refrain from giving blind orders and put great store on workers' safety and health in the production process.

2. Step up leadership over labor protection work, consolidate and replenish labor protection organs and realistically solve existing problems. Trade unions at all levels should organize workers to supervise and assist enterprises' administrative leaders in adopting safety measures and improving working conditions. So far there are only 31 beds for occupational disease in our region. This far from meets the need to provide cures for occupational diseases.

3. Strengthen the socialist system and strictly enforce the laws and regulations on labor protection. We should earnestly deal with the accidents which occurred since last year and find out whether the plant directors or secretaries are responsible.

The conference was sponsored by the regional people's government. Hao Xiushan and Chen Bingyu, deputy chairmen of the regional people's government, presided over the conference and delivered reports.

CSO: 4006

FUELS AND POWER

WASTE HEAT USED FOR POWER GENERATION IN SICHUAN

Chengdu SICHUAN RIBAO in Chinese 4 Jun 80 p 1

[Article by Zhong Jinqi [6945 6651 3825]: "Our Province Is Successfully Using Waste Heat To Produce Electricity; Generators With the Capacity To Generate Over 29,000 Kilowatts of Electricity From Waste Heat Have Already Been Installed, While 30 More Facilities With a Capacity of Over 52,000 Kilowatts Are Under Construction"]

[Text] In recent years, with the backing of the higher level officials, some of the industries and enterprises in our province have achieved notable success in using waste heat to generate electricity. Based on initial statisitcs, up to the present 16 enterprises in the province, such as the Chongqing Copper and Iron Company, the Sichuan Sulfuric Acid Plant, the Penglai Salt Works, and the Weiyuan Copper and Iron Mill, have already installed generators using waste heat. The capacity of the installed generators totals over 29,000 kilowatts, in 1 year they can save over 92,000 tons of anthracite coal. Now the construction of 30 waste heat electric generators at the Sichuan Chemical Plant, the Zigong and Daan Salt Works, the Luzhous Carbon Black Plant, and the Neijiang Sugar Mill is being accelerated (when installed, these generators will have a capacity of over 52,000 kilowatts. After construction of these installations is completed, the capacity of the installed waste heat electric generators in the province could reach over 81,000 kilowatts, so that with annual electric needs of over 480 million kilowatt hours, the annual savings in coal could be over 240,000 tons.

Our province's industries have abundant resources of waste heat. Based on a 1979 investigation of the utilization of thermal energy in key enterprises of the province, waste heat resources totaled the equivalent of over 3 million tons of coal. Of that total, over 1.7 million ton-equivalents are usable, with over 500,000 ton-equivalents usable for waste heat generation of electricity, so that we could install generators for over 100,000 kilowatts. Besides this, there are over 200 heating boilers larger than 10 tons whose steam, equaling a total of over 3,000 ton-equivalents, could also be used to generate electricity, allowing the installation of electrical generators with a capacity of over 100,000 kilowatts. In the past, not only were

these precious resources wasted to no purpose, but moreover they created environmental pollution, causing considerable harm. At the same time, many factories and mines, because of a shortage of electricity, could not start work, affecting production. This was especially true in the dry season, when the lack of electricity is even more obvious. We have said enough; using our province's abundant resources of waste heat to generate electricity is a rational use of resources and an important measure for speeding the development of the four modernizations.

The use of waste heat to generate electricity will alone attain many different objectives that benefit the nation, enterprises, managers and workers, and the masses. For example, the Weijuan Copper and Iron Mill installed a 3,000-kilowatt electrical generating unit that by 12 May was officially generating electricity by using coal gas from its blast furnaces. By doing this, the mill supplies 70 percent of its own electrical needs, lightens the pressure on the general electrical grid, and supports national reconstruction. Moreover, it can save the equivalent of 16,000 tons of coal every year, guarantee the electricity needed for production, and reduce the cost of producing steel as well. Simultaneously, this will solve the problem of the pollution released into the air by the coal gas from the blast furnaces, thus helping to protect the health of the plant's managers and workers and of the masses in the areas around the mill. The Sichuan Sulphuric Acid Plant, in order to utilize the high-temperature waste heat of the sulphur dioxide coming from the sulphuric acid boilers, has installed waste heat boilers matched with two 1,000-kilowatt generator installations; last year they produced a total of 5 million kilowatt hours of electricity, fulfilling the basic production needs and creating 400,000 yuan in the value of production. Now this plant is remodeling one generator so that it will have a capacity of 3,000 kilowatts, after which the plant's production will supply all of its own electricity and heat. At the Penglai Salt Works, the Langzhong and Sichou Electric Powerplants, the Miyi Sugar Mill, and other enterprises, existing heating boilers are also used to generate electricity. By first generating electricity and then using the steam for production, the effective rate of utilizing thermal energy is raised, while energy is saved; the value of goods is raised while production costs are lowered. Presently, under the impetus of these enterprises that have already realized the generation of electricity from their waste heat, the industries and enterprises of our province are just about to choose from among the available options for using waste heat to generate electricity and are ready to proceed step by step into an intensive development of these resources.

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DEVELOPMENTS IN MINING AUTOMATION REPORTED

Beijing MEITAN KEXUE JISHU [COAL SCIENCE AND TECHNOLOGY] in Chinese No 7, Jul 80 pp 2-4

[Article by Liu Zuoshu [0491 0155 6615], Ye Guisen [5509 2710 2773] and Pan Shangda [3382 1424 6671] of the Tangshan Research Institute, Research Academy of Coal Science: "Developments in China's Automated Coal Mining Technology"]

[Text] With the rapid development of China's national economy, the various sectors are making greater and greater demands for more and better coal products. At present, China's coal mining industry is moving towards centralization, mechanization and technological modernization; thus, the growing output in coal mining is bound to stimulate the development of automated coal mining technology.

Automated Mining and Conveyance Control Systems

China has successfully developed an electronic control unit for MD-150 coal mining machines. The unit consists of a MDZ-2 carrier wave controller, a FYK radio remote control transmitter and a SYK remote control receiver, and enables the operator to gain full control over both the coal mining machine and conveyor. The effective radio transmission range is 10-15 meters. The FYK radio transmitter is portable and can send 10 groups of audio frequency modulated signals at the transmission frequency of 151 MC. Mounted on the machinery unit, the MDZ-2 carrier wave transmitter sends 465 KC audio frequency amplitude-modulated waves into the power cable of the coal mining machine via a high voltage isolating capacitor. The radio remote control receiver and carrier wave receiver are equipped with safety devices to guard against errors made by the operator, and to automatically shut off the current in the event of malfunction.

The control device of the current type of coal production face and trough type double chain drag conveyor is composed of a control box, display box and detector. Piezoelectric porcelain components ranging 39-199 KC in frequency are used in 30 circuits which include two signal frequency circuits and 28 control circuits. Each unit can control 10 coal conveyors,

including the sequence delayed starting of counter flows, and the instant halting of the entire conveyor line, as well as protection against common accidents, such as chain breaking, chain tilting, motor jam, etc. Through contact signals, start-up offer signals and accident alarm signals, the system can provide timely information on the operation and accident status of all the conveyors.

Complete sets of equipment have also been developed for mining area control systems, i.e. the YZK trough type and work face conveyor control systems. The YZKD-1 trough control console and YZKX-1 trough control box, YZBJ remote alarm box are combined into a trough-type accordion belt conveyor line control system. The system includes a self monitoring link which enables concentrated control over 2-4 trough belt machines. The operation status of the conveyor can be observed from the console. A selective phone is used to send out audio frequency signals for starting and accident alarm.

The YZKD-2 work face console and YZKX-2 work face control box comprise a work face conveyor and transfer machinery control system, which allows the work face conveyor and transfer machine to send pre-start offer alarm signals; starts and stops the double hauling of the conveyor's upper and lower units; starts and halts the transfer machine. The console can indicate transfer and sudden stops, and can warn the operator when accidents occur. Sudden halts can be executed at the work face. There is an indicator for lockouts, and the console includes a self checking device which can prevent the system from starting by itself in the event of malfunction.

The preceding devices and work face selective phones are safety spark equipments which are light, convenient, flexible and safe to use in underground mines.

Automatic Control of Belt Conveyor Systems in Mines

In China, more and more belt conveyors are being used as means of conveyance in large mine tunnels and major inclined shafts. At present, coal belt conveyor systems basically fall into two categories: the first kind consists of common belt conveyors, each measuring 100-300 meters in length. The conveyors are directly linked together with no buffers in between. This type of system requires strict interlocking. The other kind of belt conveyor system consists of highly intensive steel cord belt conveyors, each measuring over 1,000 meters in length. Relatively large buffers are installed between the conveyors which do not require strict interlocking. In the first type of belt conveyor system, three SYK mining telemechanical devices are used to automate the entire system. SYK devices are suitable for telemechanical systems designed for scattered coal sites. The conveyance distance can reach as long as 10 kilometers. Signal transmission is carried out by three components: the control end in the central control room, the execute end located in the controlled object of signal focus section, and the electric cable for signal exchange. The device works on a time sharing system; at the control end and execute end, there are X-distributors and Y-distributors. Effective synchronized measures are

adopted. The system also employs such links as address calling, address answering and address checking to ensure information exchange between only one execute end and the control end at a given time. In the second type of belt conveyors, electronic computers are being developed for the control system. Besides performing SYK functions, the system can also perform remote adjustment, and optimum control over the system is attained. Its telemeter, telesignal, remote control and remote adjustment information is passed on to the computer via a "telemechanic information terminal."

Mine Communication System

The communication system used in mines is an important means of mine production control and management, interconnection and guarantee to production safety. Due to the great diversity of working conditions and poor environment in the mines, plus the increasing mechanization of the working face, the employment of one kind of communication mode can not meet the various requirements of underground mine production. To cope with this situation, our country has developed such communication devices as amplifying telephones, induction telephones, carrier wave telephones, mine shaft telephones and mine rescue telephones. Now we have also begun to study ways of producing mining dial telephone exchanges and control telephones with the aim of creating good communication network conditions for our country's coal mines.

In large and medium coal mines with relatively heavy vertical and transversal communication traffic, the communication networks consist of master systems which are composed of dial telephone systems for miners, and subsystems which are made up of the communication equipment units of various production links. The transition of exchange users from safe zones (above the mine pit) to unsafe zones (underground mine) is accomplished with the use of safety spark grids. The subsystems actually employ a great variety of communication means to meet the specific requirements of the various production links. For example, China has developed the YZ series of communication, signal, control devices; its communication system is suitable for comprehensive mechanized mining areas. The device has a YZKY safety spark amplifying telephone unit along the 12-15 meter border line in the work face. Several YZXH selective phones are installed in the mining area which can call up eight communication parties. For mobile personnel, the system provides YZBX portable telephones. The user can contact the ground surface control phone through the system. Owing to its safety spark feature, the equipment is light weight, low cost and easy to use.

In medium and small coal mines where transversal communication traffic is not heavy, the communication systems consist of production control phone exchanges for mining use, and extension phones. Owing to the high level of noises, plus the difficulty of setting up a separate communication line, the subsystems in a mechanized mining work face rely on carrier wave amplifying phones for communication. Developed and manufactured in China, the XZ carrier wave amplifying telephone and control device use the power line as a passage for signal and voice communication, and the system works on

audio frequency modulated carrier waves. The techniques are pretty well adapted to the scattering characteristic of power network's high frequency parameter. The telephone carrier frequency is 100, 120 KC, and the control carrier frequency is 84, 91 KC.

The two preceding communication network subsystems also include the following production links: large belt conveyor tunnels, electric locomotive conveyor tunnels, tunnelling work face, and rail tracks up and down the mountains. Based on their characteristics, induction phones or carrier wave phones may form their own communication networks.

To facilitate communication in coal mining production areas, independent communication systems are also installed. For instance, mine shaft phones and mine rescue phones. The currently produced XC-76 mine shaft phones have working frequencies of 48.31MC $\pm$ 2KC and 1 meter soft antennas; space propagation is carried out through radio waves, induction propagation is performed with the help of steel cables. They can provide reliable communication liaison in vertical mine shafts for as deep as 1,000 meters. Moreover, they can be used for short distance voice communication between various places on the ground surface.

Monitoring Underground Mining Environmental Parameters and Control Over Mine Ventilation Networks

With the continuous rise of mechanization level and coal production output, the problem of ensuring mine safety production is becoming more and more acute with each passing day. Thus, it is especially important to quickly come up with ways of monitoring the underground mining environmental parameters and controlling the ventilation networks.

The MJC-100 coal mine centralized testing device is developed for conducting round-the-clock continuous checking rounds and automatic warning. It can automatically type out tabulated reports at certain time intervals. The MJC-100 centralized testing device is composed of an underground gas alarm, underground carrier wave transmitter, power box and ground surface main frame, and printer. The gas alarm uses a gas concentration analog meter. The surface main frame can be displayed with 3-digital fixed points or progressive points; when the gas contents exceed the limit, the alarm is set off both below and above the ground level at the same time. Moreover, tabulated reports are printed whenever the gas contents exceed the limit and return to the boundary.

At present, China is trying to develop computerized controls for ventilation systems. As gas contents signals enter the computer, optimum air flow regulation is obtained in accordance with the specific requirements and the air flow speed testing system's computing network, thus controlling the underground mine ventilation system, and regulating the air flow trhoughout the mine pit in accordance with the gas concentration.

Due to the realization of automated control of the safety parameters in the ventilation system, and owing to the centralized monitoring and automated air flow regulation which has widened the gas limit range of the work face air return flow by 0.5 percent, the production output in the coal mining face has greatly increased.

Automated Coal Separating Plant

At present, the primary tasks in realizing the automation of coal separating plants in our country are: materialize centralized programmed control over the machinery equipment of coal separation plants; materialize process control over the major production operations, such as jigging, flotation and dense medium separation, thus creating conditions for optimum control over the entire plant's production; implement automatic testing of the quality and quantity of intermediate products and final products in the course of coal washing.

In Xuzhou, the Jiahe Coal Washing Plant has a central centralized control room equipped with a variety of capabilities such as operating, controlling, testing, warning and recording. The control room employs a digital integrated circuit control system. Logical control over the entire plant's raw coal preparation, jigging and flotation systems is established in accordance with technological requirements. The analog panel in the control room is equipped with many kinds of testing meters and light indicators showing the operational status of the equipment. In addition, it can send accident alarm signals.

The automatic discharger of the jigging machine plays an important role in ensuring the quality of coal washing as well as the improvement of washing efficiency. To control the rotation speed of its direct current motor, the automatic discharger of the jigging machine relies on bed thickness transducers which send out signals containing information on the variation of beds with high specific gravity.

To automatically check for fine dust in washed coal, China has developed the STH digital low energy gamma ray dust tester. Using americum -241 (Am^{241}) as radiation source, the instrument is fairly accurate. When the dust content of the coal sample is 4-15 percent, the average error of the ratio between the measurement value and chemical testing value does not exceed ± 0.33 percent.

There are many factors which affect the index of flotation. The automated regulation of flotation technological parameters can help maintain the major technological parameters of the flotation operation at optimum values for a long period of time with considerable stability, thus obtaining fairly good economic results.

The automatic control system of flotation technological parameters can help maintain a constant ratio between the feed-in concentration/flow of frothing

agents and collecting agents, as well as the ratio between the volume of added chemicals and volume of dry coal processing.

Concentration and flow are the main controlled parameters of the system. The concentration gauge sends out concentration signals which are used as feedback signals and put into the regulator. Its given value is set in advance by the operator. The flowmeter outputs pulp flow signals which are used as feedback signals for another regulator whose given signal is the output value of the first regulator.

The flow regulating system is a simple feedback regulating system. The feedback signals are obtained by adding the output signals from the bottom pulp flowmeter and industrial fresh water flowmeter. The concentration signals and flow signals are multiplied, thus forming dry coal volume signals. As the chemical flow is in direct proportion to dry coal, the signal can be output from the multiplier and used to control the rotation speed of the "fixed volume--ratio pump," thus realizing automation in the feeding of chemicals.

9119
CSO: 4006

TIANJIN HOUSING PROCEEDS, BUT MANY PROBLEMS REMAIN

Tianjin TIANJIN RIBAO in Chinese 13 Jun 80 p 1

[Article: "The Pace of Housing Construction Is Further Quickened"]

[Text] While visiting housing construction in our city during the golden season for construction, this reporter was first told by officials: In the 30 years since liberation, Tianjin's new construction of housing for managers and workers has totaled 10 million square meters. Last year alone, newly constructed housing totaled 2 million square meters, and for the coming year a further 2 million square meters of housing are planned. In the next several years, new housing will be constructed on an even larger scale and at an even faster rate.

The nation is fully prepared for this effort. But deficits in the standard of living can be corrected only gradually. While covering this story, what most impressed this reporter was the fact that from the leadership organizations to the basic units constructing the buildings, everyone is carefully investigating how to invest the limited manpower, material, and financial resources available for housing construction so as to bring them fully into play and to maximize their economic efficiency. Everyone summed up many years of experience and instruction, especially those of the past 2 years, by concentrating on one-point--the need to strictly obey the fundamental rules of construction and to carry them out according to basic construction procedures. If everything is done in this way, housing construction will be much faster and of better quality. Or to put it another way, there then will be less slowness and waste. For example, at the new 100,000-square-meter residential area at Dingzi Gu, where construction started the year before last, they had previously repaired and built roads, and so the whole process of construction went very smoothly, there was coordination between the builders and the city government, and the aboveground and belowground tasks were coordinated with each aspect of construction effort and each item of engineering, so that delays and conflicts between these aspects was reduced a great deal, quickening the progress of construction and improving the quality of engineering. Until now, fundamental rules of construction had been violated and work was not done in accordance with basic construction procedures, with the result that

the problem of construction being thrown into confusion is still very serious. For example, there are building sites where planned duties were changed after the construction team was already set up. At some construction sites, aboveground tasks had already been started although planning for belowground tasks had just begun. The structures at some sites were already complete, but the installation of living features had not yet even been planned. At still other sites, because the relocation problems of several households--even as few as one or two--were not resolved, the entire construction was halted. Those who are "experienced in construction" all recognize that these situations reflect the key points of construction progress and engineering quality, and that violating them produces the greatest waste of labor, material, and money. They demand a decision by the concerned authorities urgently to reform rules, plans, capitalization, and materials, as well as the system for managing construction, in order to meet the needs of large-scale, rapid, and high-quality housing construction.

Accelerating the construction of housing, opening new residential areas, and renovating old housing all must be started at the same time. Nevertheless, there are many unimaginable difficulties and resistance to the thorough implementation of this policy. In some newly opened residential areas away from the city center, there are buildings that have been completed for several years but are still unoccupied. Each day, employees are required to guard these buildings. Doors, windows, and fixtures have already been broken. This is a great waste! We want the residents to understand in general the reasons for these situations: if new housing areas are not properly opened, and if the area of several of the city's wards are enlarged, the problems of communication between city center and wards, of overcrowded housing, of city landscaping, of beautification, and of cleanliness and quiet are fundamentally insoluble and will seriously affect the development of the four modernizations and the modernization construction in the city. In the whole city, environmental pollution is currently most severe in Quanyechang and Xiaobailou in Heping Ward, where the population is most concentrated. Why has the incidence of incurable illness increased in recent years? It is said that it is a direct result of environmental pollution. If this problem is not solved, it will be a disaster not only for us now but also for our children and grandchildren. From what the concerned leaders say, we must earnestly survey some households as to why they would rather be packed together and are unwilling to move into newly opened residential areas. We must use all available means to resolve each type of difficulty encountered in the lives of people living in the new residential areas, and introduce new economic measures to encourage people to move into these new residential areas.

The outstanding problem in the restoration of older residential areas is the tearing down of older houses and the relocation of their occupants. The Chengrean quarter is an area that was inspected personally by Chairman Hua. The older houses were to be cleared as far as the highway at the end of Shanxi Road, but because the construction supervisors were unable to resolve the relocation of one or two households, the new construction

was severly affected and, in the end, the construction teams were forced away. Of the original plan to construct 39,000 square meters, only 18,000 square meters have been completed after over 3 years. The tearing down of older houses and the relocation of their inhabitants are the greatest cause of our headaches. If this problem is not solved successfully, it will influence the large-scale and rapid construction of housing, and it will also affect the improvement of housing conditions for the broad masses of residents. Sometimes the occupants of the houses to be torn down are unreasonable and shameless. We hope the city authorities will take economic or legal sanctions against those residents who have shown themselves to be impervious to reason.

When they discuss how to speed up the rate and raise the quality of housing construction, "experienced builders" all feel that last year's implementation of the title of "Excellent worker from start to finish," a form of collective praise, was successful, mobilizing the positive and good experience of cadres, engineering technicians, and the masses of workers. According to the statistics of the Municipal Construction and Engineering Bureau, the bureau's labor productivity rate last year was, on average, over 40 percent and for the whole year, except for a reduction in the payment of bonuses, the labor component of construction costs fell around 20 percent. This year the engineering progress, quality, and economy were again raised. "As the tolling of the bell is ineffective, government policy is ineffective." Those old hands think that we should carefully use the conclusions drawn from this experience and continue to liberate thought, and that we should bravely do our research and initiate a set of positive methods capable of advancing the mobilization of the large number of cadres, engineering and technical personnel, and the masses of workers. They suggested that construction enterprises should, like other industries and enterprises, greatly expand their freedom of practice and energetically implement a contract system that strives to have construction enterprises put guaranteed labor and guaranteed price arrangements into practice in an orderly way, so as to join together even more rigorously speed, high quality, and quantity in housing construction and the interests of the individual workers and managers in construction units.

9504
CSO: 4006

BRIEFS

GUANGDONG REEXPORT PROCESSING--Since launching operations for the processing and assembly of imported materials, compensatory trade, and joint ventures, etc., over a year ago, business has been brisk in Guangdong. By the end of July, more than 4500 contracts and agreements had been signed throughout the province. Processing fees have already totalled more than US $810 million, and investments by foreign firms come to more than US $640 million. The launching of these projects has helped to bring in advanced technology, more than 300,000 pieces of equipment, and involves more than 100,000 people. [Hong Kong WEN WEI PO in Chinese 25 Sep 80 p 3]

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END

JPRS 76669
21 October 1980

China Report

ECONOMIC AFFAIRS

No. 92

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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JPRS 76669

21 October 1980

CHINA REPORT

ECONOMIC AFFAIRS

No. 92

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ECONOMIC JOURNAL DISCUSSES QUALITIES OF LEADING CADRES

HK071438 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 8, 15 Aug 80 pp 23-27

[Article by Wang Dingfeng [3769 0002 7364]: "Discussion on the Qualities and Leadership Skills of Leading Cadres"; passages within slantlines published in boldface]

[Text] Economic development in traditional agricultural society is mainly determined by the amount of manpower. In its present state of development, industry must in addition pay attention to the quality of manpower. Technological development and gradual progress in management have both challenged man's abilities. The key to economic development lies in man. Man can create technological supremacy and can give impetus to economic superiority and bring into play the superior capability of human beings. Outstanding leading cadres in enterprises are the key elements in running enterprises properly and the policy-makers who develop and bring about these superior conditions. In the discussion on the reform of economic systems, the study and investigation of the quality of leading cadres in enterprises has become an important topic which cannot be neglected.

Our party has all along paid attention to the selection and training of leading cadres. The criteria governing the party's cadre policy are the possession of both ability and political integrity and appointment based on merit. We should systematically sum up and refine the glorious tradition of cadres' work and rich experience in leadership methods in our party and proceed from the actual conditions in our country to learn from, summarize and investigate the effective theories of other countries. All these points have a direct motivating role in training leading cadres for enterprises in the new era.

/(I) Qualities of Leading Cadres in Enterprises/

What are the essential qualities of leading cadres in enterprises?

/I. Political quality/ which is the criterion for political integrity:

1. Loyalty to the party. We must be able to uphold the four basic principles and consciously do things according to the party's line, and general and specific policies.

2. Dedication to the four modernizations. We must have ideals, dedication to our work, a sense of responsibility, enterprising spirit and willingness to shoulder heavy burdens for the party. We must have initiative and vigor and must be able to work independently and strive for achievements at our work posts.

3. We must be able to unite all our comrades. We should rely on the masses and employ capable people and should be loved by the people.

4. We should have a fine moral character. We should be openhearted and aboveboard, honest and upright, law-abiding and selfless.

5. We should be as good as our word, earnestly practice what we preach and set an example.

/II. Knowledgeable Background/

In order to properly direct the overall tasks of the enterprises, the main leading cadres of the enterprises should not rely solely on their past experiences. It is more important to rely on scientific knowledge. Therefore, we must have an insatiable thirst for knowledge and strive to raise our policy-making level and ability in work: 1) We must study politics and law so as to master the management principles; 2) we must study economics and economic management and know how to act according to economic laws; 3) we must study engineering technology and master the basic procedure and laws in production and transform ourselves from laymen into experts; and 4) we must acquire a general knowledge of psychology and sociology so as to stimulate the employees' fighting spirit and harmonize human relationships. In addition, we must master the knowledge of imported technology and international trade according to the requirements of enterprise development. Looking ahead to modern management methods of the future, it will be necessary to familiarize ourselves with mathematics and electronic calculators with application to management usage.

/III. Ability To Formulate Policies/

Policies include economic policies, management policies and policies of work and should not be narrowly understood as determining the market demand. Policy is the manifestation of a comprehensive force. Leading cadres must be good at conceiving and proposing ideas and methods, making suggestions and decisions and urging the various subordinate departments to go through with them. Policymaking abilities are manifested in the following aspects:

1. The ability to analyze problems and grasp their essence by seeing through outward appearances, grasp the main contradictions and distinguish between the main trend and side issues, recognize the order of importance and emergency, weigh up the pros and cons and make pertinent suggestions.

2. Logical judgment ability; the ability to judge cause and effect and far-sightedness and foresight when looking at problems.

3. Creative ability. We must be sensitive to new developments, imaginative, broad-minded and good at formulating new suggestions, determining new goals under new situations and encouraging comrades to accomplish their tasks.

4. Intuitive judgment; the ability to make prompt and opportune decisions. When there is no time for discussion, we must be able to decide promptly and intuitively and thus be able to meet an emergency.

5. Decisiveness. After recognizing the target, we must be bold in our thinking and actions. We should not fear taking risks or encountering setbacks but must be brave in shouldering responsibility.

Trained in revolutionary work for a long time, many of our old cadres are very able at making decisions. The key lies in understanding the work. Only when they have mastered their professional tasks and understood the conditions can they be really determined.

/IV. Ability To Organize and Direct/

1. We must be well versed in personnel management and maintain the best balance of talent and force required by the work target.

2. We must make good use of organizational power to comprehensively harmonize manpower, material and financial resources.

3. We must coordinate the state, enterprise and individuals' work targets, link them up with material interests and correctly implement the principle of distribution according to work.

4. We must be able to unify planning with due consideration for all concerned and link up urgent work with long-term demands. We must be guided by principle but we must also make specific arrangements and carry out examination so that orders and prohibitions are strictly enforced.

5. We must be good at grasping models and setting good examples. Examples have unlimited strength. We should use models to carry out work in the key points and in all areas.

/V. Link Up With the Masses/

We must be good at getting along with people and soliciting opinions from all sides. We must be sensitive socially and quick in grasping materials and information. We should adopt a good attitude in our contact with people and should be experts in exchanging opinions and linking up conditions.

In dealing with people, we must first know ourselves. Self-knowledge is wisdom. It is important to know our strong points and limitations and know what other people think of us and keep in mind how our words and deeds will impress them. Self-discipline comes with self-knowledge. We must have self-knowledge before we can check and restrain ourselves. The second important point is substitution. Substitution is a word in psychology which means putting oneself in another's position and consideration for other people's feelings and reaction. We should consider problems from other people's position and should not impose our viewpoints on other people. The third point is objectivity. In dealing with people and things, we must avoid prejudices. We should not allow only one person to have the say. When looking at problems, we must pay attention to the masses' opinions and seek truth from facts. We must be fair and objective.

/VI. Calmness and Experience/

Calmness and experience are essential personality traits of leading cadres. This is called emotional stability in foreign countries. It is characterized by broadmindedness and outspokenness. We must be able to relate easily to people holding different views, including those who have opposed us and those whom we find detestable. We must remain calm and objective when dealing with them. We must be tolerant and generous and should not harbor personal grudges or become entangled in old historical accounts. We must guard against arrogance. When things go smoothly, we should not be complacent and overoptimistic, or carried away by success. On encountering setbacks, we should not complain or become despondent. We should not blame other people for our own failures or lose our ability to reason. Leaders should have their own views, but they should be flexible and adaptable to changing circumstances. We should not be stubborn or get stuck in blind alleys. On knowing that we cannot attain the scheduled goals, we should happily shift the key points in work. We should not behave in an affected manner or falsely represent the results. We should not engage ourselves in empty talk, exaggeration and lies.

The above points are a general summary of leadership qualities and represent a rough outline. The Eastern Airline Company in the United States has issued a study report on a portrait of management personnel with high productivity listing as many as 57 characteristics. It is worth studying the qualities which should be possessed by our socialist cadres.

/(11) Guidelines for the Conduct of Leaders/

The conduct of leaders is manifested in the course of their command. Therefore the form of leadership and leadership techniques can be seen to be extremely important. Normal leadership methods and techniques are listed here for adoption:

/I. Making the Best Use of People/

Leadership work is nothing more than the two important matters of suggesting ideas and selecting cadres. Men are different just as their facial features are different. People are different in their abilities, personalities, attitude and behavior. The key in employment lies in giving each person the position he prefers and wants. Only in this way can we make best use of people's abilities and will the capable people emerge. First, there must be conformity between work and ability. It is necessary to utilize people's strong points, eliminate their shortcomings and develop their fine qualities. Work must fit in with people's special training and strong points or at least with their basic knowledge before we can make use of their abilities. Consideration must be given as far as possible to one's interests and preferences in the division of labor and staff deployment. Second, work must fit in with the person's character. It is advisable to employ highly sociable people in the sales and purchase departments. People with strong powers of expression are suitable for employment in the propaganda and education departments. Creative people are suitable for research and development departments. People with strong, independent views are not easily enticed and are suitable for employment in the inspection and supervision departments. Emotionally stable people are suitable for the long term, large-scale and difficult departments where their ability to control their emotions is desirable. Third, in selecting staff, it is necessary to make use of the principle of juxtaposing knowledge and personalities. In assignment to the teams, mechanical and electrical knowledge should supplement one another, design and technological knowledge should supplement one another, boldness in thought and action should be supplemented by careful consideration. Impatient people should be supplemented by patient people. It is necessary to eliminate our shortcomings by acquiring other people's strong points and improve ourselves. Fourth, there must be a rotation of staff. Staff rotation is an important measure to keep the enterprise young. A person's abilities are completely revealed within 3 to 5 years. It is necessary to transfer them and change their posts at suitable moments. This can increase the knowledge of the existing cadres as well as select young talent. Generally speaking every "newly inaugurated official" wants to show what he can do. Therefore, it is necessary to pay attention to staff replacement and arrange consultative posts or other honorary posts for old cadres who are both physically and mentally exhausted. Fifth, we must not be suspicious or jealous in the employment of staff. Leaders should absorb and retain talented people and should be happy when they are

surpassed by their subordinates. They should not consider the employment of first-class personnel as a threat to themselves but should advocate recommendations for one another and self-recommendation and ceding their positions to more capable people. One must have the courage to recommend oneself and be discerning enough to recognize ability in others and recommend them, too. Credit should be given to those who recommend capable people and those who are jealous of talented people should be penalized. Sixth, it is necessary to protect capable people. Under the present situation of equalitarianism and determining rank according to seniority and criticism so as to achieve perfection, leaders should be bold in encouraging the emergence of young talent so as to avoid censure.

/II. Division of Labor and Delegation of Authority/

We have often said that it is an important leadership method to centralize authority for major issues and delegate authority to others regarding minor issues. Otherwise, the chief leaders are busy with specific tasks and cannot bring into play the abilities of their subordinates or set aside time for themselves to grasp major issues. There must be a clear division of duties. In the delegation of authority, responsibility and authority must complement one another. Good orders must possess the three essential elements of completeness, clarity and practicability. In the assignment of duties, some techniques can be studied. For example: 1) Duties which can be accomplished by one person should not be assigned to two people. In the allocation of collective tasks, the person responsible must be specified. We must insist on assigning a person to be in charge and grasp the task. Collective responsibility in fact means that no one is responsible. We must make sure that we specify someone to be responsible. 2) In the assignment of tasks, individuals must not be isolated from the masses. We must satisfy the desire for social contact in work. It would be intolerable to leave the masses and live alone for a long time. 3) The task must be more difficult than the normally manifested ability of the person taking up the work so that the subordinates feel some pressure. If a person has to jump up to pick a peach, he will have a sense of achievement after the completion of the task. 4) The content of the work must be varied and should not be monotonous and dull. Only jobs offering variety can motivate employees to take an interest in their work. This helps them to increase their knowledge, learn technology and satisfy their desire for self-development. 5) There must be alternation between enjoyment and hardship in technological work and routine work. In the factory, there is petty and boring work which must be done and no one can easily gain a sense of satisfaction from such work. We must insist on alternation in the assignment of duties. Then everybody knows that there is hardship amid enjoyment and can expect an appropriate alternation. In addition, the rational use of official titles for administrative duties and direct command and briefing by the principal leaders in the enterprise all help to instill in the subordinates a greater respect for their work.

/III. Inviting the Masses To Participate in Management/

It is the right of the masses of workers to participate in decision making in socialist enterprises. Participation in decision making can satisfy the needs of self-expression. Generally speaking, a person has a sense of responsibility and carries out self-examination for work in which he chooses to participate himself. Therefore, with more participation in management, the employees have a greater sense of being their own masters. The prerequisite for inviting workers to participate in management is the belief that the masses are real heroes and truly dependable. It is necessary to seriously settle the series of questions of ideological understanding as to whether the upper levels should allow the participation of the lower levels and whether the lower levels are willing to participate. The chief leading cadres of enterprises must furnish the participants with true facts and clarify the topics under discussion. When the masses make suggestions, we should not give any criticism. We should not be suspicious when they put forth sharp and difficult questions or mock any absurd questions that are raised. The more questions that are asked, the better, and the good ones should be selected from the many proposals. In participation, we must truly canvass various opinions and benefit from them. Meetings should not be monopolized by those with authority but full respect must be paid to the personality and sense of self-respect of all the participants. In the West, they call this (Ao Si Peng's [1159 2448 2590]) technique for sparking off the brain, the Japanese call it a meeting for stimulating thought and in our tradition, it is called a meeting of Zhu Geliangs.

/IV. Support for Subordinates/

When the subordinates encounter difficulties in their work, active support from their leaders can increase the sense of security and confidence of the subordinates. Mutual support between the upper and lower levels will benefit both sides. Support for the correct actions of subordinates consolidates us and obstruction of the correct actions of subordinates pulls us down. The amount of support rendered by principal leading cadres to leading cadres of the basic level units plays an important role in developing their influence up on their subordinates. In view of the number of times when the upper levels solicit opinions from subordinates, consideration and adoption of their suggestions directly affect work in the basic level units. Therefore, a fine leader must first attach importance to the views of cadres of the basic level units and treat the cadres in the basic level units as "advisers." Second, we must respect the command system at the basic level unit. The intention of leaders must be communicated through cadres at basic level units and basic level unit cadres should be allowed to act as their own "spokesmen." Third, we must, without special reasons, support decisions of the basic level units and act as "supporters" of decisions made by lower levels. Fourth, it is necessary to protect basic level unit cadres. When there are mistakes, the upper levels must shoulder

leadership responsibilities and act as the "buffer" for subordinates so that the initiative of the subordinates will not be suppressed. The principal leaders must support leading cadres at the lower level units, but they can bypass the command system at the basic level unit to solicit different opinions from the masses of people. There can be any kind of support for the basic levels but there should not be any obstruction in the communication system between ourselves and the masses. These conditions are important if the leaders are to keep a cool head.

/V. The Use of Authority/

Leaders rely on their authority to carry out resolutions. However, the effects of authority are not necessarily maximized by actually exercising it but by taking preemptive measures. Therefore guidance and warning beforehand play a greater role in the prevention of improper behavior.

In the exercise of authority, leaders must pay more attention to getting work done by using their influence. They must set an example with their own conduct and rely on concerted efforts within the leading bodies. Influence will produce better effects than the use of authority. The use of one's influence to get work done will not give subordinates the feeling of being pushed around. On the contrary, they will feel that they are determining their own actions. This will give rise to self-determination and they will willingly act according to instructions.

In the exercise of authority, leading cadres must pay attention to the three items below:

1. The leaders have actual authority but it is better to keep the authority without using it than to show off our authority. We should on no account abuse our authority.

2. We must let everybody know beforehand when we exercise our authority. When dealing with the violation of rules by the lower levels, leaders should disregard the proximity of their relationships or their personal feelings, treat everybody on an equal footing and firmly rectify the mistakes.

3. The starting point and ultimate aim in the use of authority lie in establishing a "desired model of behavior" setting out the rules of work, so as to let the subordinates know what is right and what is wrong.

/VI. Friendship and Trust/

Friendship and trust are the foundation for nurturing a continued cooperative spirit between the leadership and the led. Friendship in capitalist enterprises is a means of enticing the working class. Since there is no basic conflict of interests in socialist enterprises, they

are full of comradely ties of mutual assistance, cooperation and class love and this has provided a firm foundation for developing friendship and love.

Everybody has a certain desire for self-manifestation. Every member of an organization hopes that the leaders will recognize his merits and understand him, recognize his values, think highly of him and consider him an indispensable member. Meanwhile, men also have the desire for social contact and they regard meeting their leaders as an important part of satisfying their desire for social contact. Therefore, the leaders must, through showing concern for their lives, respect for their work and paying family visits, build up their friendship with the employees. Friendship is maintained by respecting one another's personality. There are high and low posts but personality cannot be classified as high or low. Therefore, leaders must abandon their air of self-importance. They must be easy to approach and must come into contact with the masses as ordinary workers. Friendship will develop into trust.

There must be a communication of ideas between the leaders and masses of the basic level units. They must constantly exchange information about their conditions so that there is communication between the upper and lower levels and mutual understanding. Unnecessary misunderstanding can then be eliminated.

/VII. Citation and Criticism/

The masses are extremely sensitive to the actions of the leaders. They fear that the leaders will look down on them, therefore they must be shown respect. They fear that the leaders will not notice their hard work, so leaders must constantly carry out inspections and show concern for them. They fear that the leaders will not see their achievements, so leaders should then ascertain their achievements. It is easier to stimulate the working enthusiasm of subordinates by paying attention to the correct behavior than attaching importance to incorrect behavior. Citation arouses enthusiasm for work better than criticism. We must therefore pay attention to positive guidance. Citation and friendship must both come from the heart and must be sincere.

Criticism must start from concern and the desire for unity. There must be a proper limit in criticism so as to avoid aversion.

/VIII. Reward and Sanction/

Reward is an important form for stimulating initiative. Material reward is an important means for implementing distribution to each according to his work. Pure material reward has also a spiritual role. Wages and bonus can be taken as the symbol for position, the basis for self-respect and the guarantee for security. The principle of material

interest cannot be neglected. Position and prestige belong to the realm of spiritual encouragement, but these are not merely spiritual and include a certain factor of material remuneration. People have a corresponding desire for material and spiritual satisfaction and leaders should master the several points mentioned below:

1. Material reward and spiritual encouragement must be complementary to one another and properly coordinated. A slight difference between the two can be tolerated but too great a difference will lead to complaints.

2. Rewards and allocations must be given out gradually. It is better to give out rewards gradually than to give rewards at a very high level all at once. In this way, there is improvement year by year and there can be expectations.

3. There must be new creations constantly in the methods of rewards. Originality and changes can make people more sensitive and give a greater incentive. If the methods of rewards are old and repeated, the effect will diminish after several repetitions. When rewards are given out too often, the role of stimulation will be minimized. The easy attainment of rewards without arduous work will not give a sense of achievement but, on the contrary, will cause a sense of emptiness.

4. Once the reward becomes routine, there will be complaints whenever no rewards are given.

Warning must be given before punishment and sanctions. There must be consistency in severity and leniency. Sanctions are best carried out when facts have been clarified, the leaders' feelings have calmed down, the mistakes have not extended and the masses have a fresh memory. It is not advisable to handle things in the "heat of the moment."

/IX. Supervision and Guidance/

Supervision of the work of subordinates must be consistent all the time. Only in this way can the lower levels know what the upper levels expect of them. We should not change rules frequently or make conflicting rules which leave the lower levels at a loss what to do.

Supervision of the lower levels must be appropriate. The leaders are not doing their duty if they do not carry out supervision or give guidance, but too much supervision will provide opposite results. The subordinates may find the leaders nagging and feel that the leaders do not have enough confidence in their ability to work independently. The correct method is to exercise strict supervision in work training. After certain working experience has been acquired, subordinates should be given a free hand in their work. They will improve their abilities in the course of the work and get a sense of satisfaction after the completion of the tasks.

/X. Settling of Grievances/

In the course of work, the lower levels may encounter various difficulties and have grievances. Those who are discontented will complain and they should have an outlet for voicing their grievances. Otherwise, discontent and ill will will be bred after a long time and this will directly affect work. The principal leading cadres must actively understand and settle the grievances of the masses, grasp major issues which concern the masses deeply and seriously settle problems of broad concern so as to arouse the people. "Officials who do not take the responsibility to make decisions for the people should go home and sell sweet potatoes." Principal leaders should not fear taking risks but do things properly for the masses in accordance with the party's policies.

The leadership methods techniques discussed above are not any wonder drugs and we should not expect a universal "model" to settle specific problems. The most important ideological method is to start from reality in everything and this is also the guiding principle for leadership work. The methods introduced here are only for the reference of comrades in their leadership work in enterprises.

CSO: 4006

ECONOMIC JOURNAL ON AIM OF SOCIALIST PRODUCTION

HK061418 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 80 pp 25-28, 35

[Article by Zhang Chaozhun [1728 2600 1415] of the economics department of Renmin University: "A Discussion on the Intention of the Aim of Socialist Production"]

[Text] The aim of socialist production is the main content of the basic economic law of socialism. Most of our country's economists agree to Comrade Stalin's statement on this question, namely, "to insure the maximum satisfaction of the entire society's constantly growing material and cultural needs." They believe that the basic principle of this exposition correctly reflects the essence of socialist production. However, there are different interpretations of the intention of this statement. Generally there are three viewpoints. The first viewpoint argues that the aim of socialist production embraces four categories of needs, namely, 1) the workers' individual consumption needs; 2) the needs of public consumption such as the development of cultural and educational undertakings, public health, social insurance, collective welfare and so on; 3) the needs of state administration and strengthening the national defense; and 4) the needs of expanded reproduction and extending aid to foreign countries. The second viewpoint is that the aim of socialist production embraces only the first three categories of needs mentioned above and does not involve the needs of expanded reproduction or aiding other countries. The third viewpoint is that the aim of socialist production embraces only the first two categories of needs and that the aim can be summarized as insuring the satisfaction of the people's continually growing material and cultural needs. Current discussions reveal that most comrades agree to the third viewpoint. Few agree to the second and even fewer to the first.

Which of the three viewpoints is correct? I think this is an important theoretical problem which must be clarified. If this problem is not clarified, we cannot relatively, deeply and comprehensively understand the basic economic law of socialism and therefore cannot relatively and satisfactorily work according to this law, which plays a leading role in the national economy.

I basically agree to the first of the three viewpoints. I say basically agree because I believe that the need to aid other countries cannot be included in the aim of socialist production. When a socialist country extends aid to other countries, it is a policy based on proletarian internationalism. It is incorrect to include such a policy in the aim of socialist production.

During discussions, our comrades criticized the first viewpoint in various ways. For example, many comrades have argued that the need of expanded reproduction, or accumulation, is a means to an end. To include this need in the aim of socialist production is tantamount to saying that the aim of developing production is to develop production, and this will consequently help provide a theoretical basis for the wrong practice of "carrying out production for production's sake." Some comrades argue that state administration and strengthening the national defense are a guarantee of (some say are a means of) achieving the aim of socialist production. These are not an aim in themselves. If one includes such a guarantee or means in the aim of socialist production, one will reverse the relationship between the superstructure and the economic base, between politics and economy. (To consolidate the dictatorship of the proletariat, we must satisfy the needs of state administration and strengthen national defense. Therefore, this is a matter of the category of the superstructure.) Moreover, these needs do not grow continually. (It is believed that everything included in the aim of socialist production must grow continually.) And so on and so forth. I think these criticisms should be discussed.

For the convenience of exposition, I analyze the third viewpoint first. Those comrades advocating this viewpoint have this common principal view: Only that part of the national income directly used for satisfying the people's material and cultural needs can be the concern of the aim of socialist production. If this understanding of mine is correct, then in what category is that part of the accumulation directly used for the people's livelihood needs, that is, used as a reward for the labor supplied by the additional labor force employed for expanded reproduction? Is that part of the accumulation a means to the end or the end itself? If we say it is a means, it is nevertheless directly used to satisfy the people's livelihood needs. However, if we say it is the end, it belongs to the category of accumulation. How should we resolve this contradiction? A similar problem exists for that part of the accumulation used for satisfying the needs of state administration and strengthening national defense. Another question is that if it is a reversal of the relationship between the superstructure and the economic base, between politics and economy to include as an aim of socialist production the satisfaction of the needs of state administration and strengthening the national defense, then does the satisfaction of the people's cultural and artistic needs reverse the relationship between the superstructure and the economic base, between politics and economy? It is because no one can say culture and art belong to the economic base. In conclusion,

although the third viewpoint appears to be correct, closer examination will reveal confusion in its logic. It contradicts the relation inherent in the process of economic development. This proves that the third viewpoint is hardly tenable.

Another problem about the third viewpoint is that those comrades advocating it consciously or unconsciously put in absolutely antagonistic positions Stalin's two descriptions of the aim of socialist production in his essay "Economic Problems of Socialism in the USSR." They proceed in this manner to explain the aim of socialist production. Stalin's two descriptions are: First, "to insure the maximum satisfaction of the entire society's constantly growing material and cultural needs" (abbreviated below as "the entire society's needs") and second, "to satisfy man's material and cultural needs" (abbreviated below as "man and his needs"). I think that these two descriptions of Stalin are essentially identical, because under socialism the workers have become the master of society and therefore satisfying "the entire society's needs" is identical to satisfying "man and his needs." One important point here is that in different social systems the relationship between the workers and society differ radically. Under capitalism, the bourgeoisie are the masters of society which is a world which serves them. The workers are oppressed by society and they are like some material to be exploited by the bourgeoisie. However, things are completely different under socialism. Society becomes the workers' own society and satisfying "man and his needs" is equivalent to satisfying "the entire society's needs." Therefore, the needs of expanded reproduction, state administration and strengthening the national defense are inevitably an aim of socialist production, just as society's public spending on cultural, educational and collective welfare needs and so on, or society's spending on the workers' individual consumption needs. Marx said: "All that is taken from a producer as a private individual will be directly or indirectly used to provide welfare to that producer as a member of society." ("A Critique of the Gotha Program," "Selected Works of Marx," Vol 3, p 10) On the basis of Marx' statement, I think that if it is necessary to differentiate the contents of the aim of socialist production; we should differentiate them into a part involving the direct satisfaction of the people's needs and another part involving the indirect satisfaction of their needs. We should not set one part against the other as in the third viewpoint. The difference between "direct" and "indirect" satisfaction is just one in the way in which the people's needs are satisfied. It does not affect the principle that the aim of socialist production is to satisfy the people's needs. Therefore, both that part involving the direct satisfaction of the people's needs and the other part involving indirect satisfaction should be included in the aim of socialist production.

In his works such as "Opinions on Plekhanov's First Draft Program," "Opinions on Plekhanov's Second Draft Program" and "Opinions on the Draft Program of the Committee" ("Collected Works of Lenin," Vol 6,

pp 7, 37, 50-51), Lenin criticized the following viewpoint as "blurred," "inadequate," "inaccurate" and so on: That the aim of socialist production can be summarized as satisfying "society's needs." Some comrades quoted Lenin's criticism to rebuke the viewpoint that the aim of socialist production should include four categories of needs. I think their comments are probably incorrect. It is because if we carefully read the paragraphs containing Lenin's criticism, we can clearly see that his criticism mainly says that what Plekhanov and others simply described as satisfying "society's needs" failed to express "the best welfare and the comprehensive improvement of material life in a coordinated way," "fully insuring the welfare and the free, comprehensive development of all members of society," the inability of capitalism to "satisfy all members of society and the different degrees of satisfaction for different members" and so on. In his criticism there is no hint of Lenin's objection to including the need of socialist expanded reproduction and the needs of state administration and strengthening the national defense in the aim of socialist production. The defects mentioned in Lenin's criticism basically did not appear in Stalin's statement, because Stalin's expression is: "insuring the maximum satisfaction of the entire society's constantly growing material and cultural needs." This clear expression of the nature of socialist production replaces the sweeping expression of Plekhanov and others about satisfying "society's needs." Therefore, it is incorrect to quote Lenin's criticism of Plekhanov and others to criticize the view of including four categories of needs in the aim of socialist production. Such criticism is untenable.

Bukharin said: "Under the rule of capital, production is for a surplus value and for the sake of profits. Under the rule of the proletariat, production is carried out to offset society's needs." Lenin criticized this view in "A Review of Bukharin's Book: 'The Economy in the Transition Period.'" He said: "Unsuccessful. Profits also satisfy the needs of 'society.' We should say: Under the rule of the proletariat, the surplus products [preceding two words underlined] do not belong to the class enjoying private ownership, but belong to all workers, and to them alone." (Lenin: "Review of Bukharin's Book: 'The Economy in the Transition Period,'" the People's Press 1958 edition, pp 41-42) Some comrades quote these words of Lenin to prove that Lenin objected to including the four categories of needs in the aim of socialist production. I think this interpretation is incorrect. What did Lenin criticize Bukharin for? He criticized him for failing to point out that under the dictatorship of the proletariat, the surplus products do not belong to the class enjoying private ownership but belong to all the workers. Requiring the surplus products to belong to all the workers is a means of insuring that the products satisfy all the workers' needs. Otherwise it will be meaningless for the workers to possess the surplus products. We all know that the needs satisfied by the surplus products include those of expanded reproduction, state administration, the strengthening of national defense and so on. Therefore, Lenin's statement is diametrically opposite to the intention of those who quote it.

It proves the correctness of the view that the aim of socialist production includes the four categories of needs.

Many comrades also often quote the following words of Marx and Engels to negate the view that the aim of socialist production should include the needs of expanded reproduction. In "The Manifesto of the Communist Party" Marx and Engels wrote: "In bourgeois society, living labor is just a means of increasing the accumulated labor. In communist society, accumulated labor is just a means of widening, enriching and improving the workers' livelihood." ("The Manifesto of the Communist Party," "Selected Works of Marx and Engels," Vol 1, p 266) In the above quotation, Marx and Engels talked about "accumulated labor" relative to "living labor." It is different from what we call the needs of expanded reproduction or accumulation. In Volume 1 of "Das Kapital," Marx explained this point very clearly: "Capital has only one living instinct, namely multiplying itself, gaining surplus value and using its own invariable part, namely the means of production, to suck the maximum quantity of surplus labor. Capital is dead labor. Like a vampire, only by sucking living labor can it possess life, and the more living labor it sucks, the more vigorous will its life be." (Marx: "Das Kapital," Vol 1, the People's Press 1975 edition, p 260) Therefore, the words of Marx and Engels quoted earlier can only be interpreted as follows: Under socialism, because ownership of the means of production has changed radically, the aim of social production has also radically changed; the aim of socialist production is to insure widening, enriching and improving the workers' livelihood. If my interpretation is correct, then it will be against the intention of Marx and Engels to use that quotation to negate the view that the aim of socialist production should include the needs of expanded reproduction and so on.

It is not meaningless to analyze the aim of capitalist production here. When Stalin criticized the view that the law of average profit rate was the basic economic law of capitalism, he said: "Modern monopoly capitalism does not strive for average profit, but for the maximum profit necessary for achieving expanded reproduction in a relatively normal way." ("Economic Problems of Socialism in the USSR," "Selections From Stalin," Vol 2, the People's Press 1975 edition, p 600) The inclusion of the needs of expanded reproduction in the aim of capitalist production enables us to explain how the basic economic law of capitalism determines all the main aspects and main processes of capitalist production, the success and failure, strengths and weaknesses of capitalism and so on. In view of this, we must also admit that the aim of socialist production should also involve the needs of expanded reproduction. Only thus can we explain how the basic economic law of socialism determines all the main aspects and main processes of capitalist production, explain why socialist production grows continually and why the standard of the people's material and cultural life rises continually, and explain the enormous superiority of socialism.

If so, will the inclusion of the needs of expanded reproduction or accumulation in the aim of socialist production inevitably lead to the phenomenon of "production for production's sake"? Will the inclusion of the needs of state administration and strengthening national defense in the aim of socialist production imply that they will inevitably "grow continually"? The answer is no. Here we have a question of the relationship between the basic economic law of socialism and other economic laws. We say the aim of socialist production includes four categories of needs, but the proportion of each of these four categories is not determined by the basic economic law of socialism alone, but is also determined by other economic laws, such as the law of socialist distribution, the law of the planned proportionate development of the national economy and so on. According to these laws, the four categories of needs must have a definite proportional relationship among them. Therefore, if we can rather comprehensively understand these laws and work according to these laws and their mutual relationships, the phenomenon of "production for production's sake" will not appear and the state administration and national defense expenditures will not necessarily "grow continually." In conclusion, we should not just understand the aim of socialist production metaphysically or literally.

In our past work, there had been an incorrect tendency of "carrying out production for production's sake," reflected in examples such as an excessive accumulation rate, the inappropriate use of accumulation funds, grave disproportion in the national economy and so on. However, these were problems in our work and they occurred because we did not fully and thoroughly understand and work according to the basic economic law of socialism and other economic laws. The problems were not due to the inclusion of the needs of expanded reproduction in the aim of socialist production. Even if the aim of socialist production should not have included the needs of expanded reproduction, the problem of correctly handling the accumulation rate would still exist in our work, and if the accumulation rate were then too high or the accumulation funds inappropriately used, the mistake of "production for production's sake" would still have occurred. Therefore, it is a groundless view to say that the inclusion of the four categories of needs in the aim of socialist production provides a theoretical basis for the mistake of "production for production's sake."

Lastly, some comrades wrote that the viewpoint that the aim of socialist production involves the four categories of needs is a result of Lin Biao and the "gang of four" pursuing the ultraleftist line. The reasoning is roughly as follows. Under the rule of their ultraleftist line, the problem of livelihood became a "forbidden area" and whoever talked about improving the people's livelihood would be labeled "revisionist" or "following the welfare doctrine." Therefore, people dared not outspokenly and justly say that the aim of socialist production was to satisfy the people's material and cultural needs. When they talked about it they would also invariably mention expanded reproduction,

consolidating the dictatorship of the proletariat and so on. I think that such a view is one-sided and not sound. First, the viewpoint advocating the inclusion of the four categories of needs in the aim of socialist production appeared well before Lin Biao and the "gang of four" ran wild. Second, Lin Biao and the "gang of four" not only opposed improving the people's livelihood, but also opposed the development of production. They wielded the club of "the theory of the unique importance of the productive forces." Whoever promoted production would be called a "capitalist roader." They pointed their spearhead at any factory doing well in production. They pushed the national economy to the brink of ruin. Under such conditions, how could the viewpoint of including the four categories of needs in the aim of socialist production become necessary for them in pursuing the ultraleftist line? Did they really want to expand reproduction and consolidate the dictatorship of the proletariat? We must view this issue in its essence.

After making my explanations and analysis, I wish to quote from Marx and Engels to conclude this article. Marx said: "Only when the capitalist mode of production is eliminated can the working day be allowed to be limited to the necessary labor. However, other conditions remaining unchanged, necessary labor will expand its own scope. One reason is that the workers' livelihood is constantly enriched and their daily needs will grow continually. Another reason is that part of the existing surplus labor will become necessary labor, that is, become the labor necessary for the formation of society's provident and accumulation funds." (Marx: "Das Kapital," Vol 1, p 578) Engels said: After the elimination of the private ownership of the means of production, social production "is aimed at satisfying the needs of the whole society and each of its members," and then "for one thing, some products will be directly owned by society for use as materials for maintaining production and expanded production, and for another, some will be directly owned by private individuals for use as materials for daily life and recreation." (Engels: "Anti-Duhring," translated by Wu Liping, the People's Press 1956 edition, pp 293-294) These words of Marx and Engels show that the aim of socialist production should essentially include the four categories of need. The two ways of putting things--first, the aim of socialist production is to insure the satisfaction of the people's constantly growing material and cultural needs, and second, the aim is to insure the satisfaction of the entire society's constantly growing material and cultural needs--they are identical statements and have the same intention, that is, the aim includes the four categories of needs, and not just two categories as what the third viewpoint maintains. (June 1980)

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JAPAN'S CONCEPT OF PACIFIC ECONOMIC SPHERE DISCUSSED

Beijing SHIJIE JINJI [WORLD ECONOMY] in Chinese No 7, Jul 80 pp 45-50

[Article by Chen Feng [7115 6912]: "On Japan's 'Concept of a Pacific Economic Sphere'"]

[Text] The Japnese "concept of a Pacific Economic Sphere" is the central content of Japan's "Pacific Basin Cooperation Plan." In 1978, along with the birth of the Ohira cabinet, various concepts of a "Pacific Basin Cooperation Plan" began to take shape; among them there were "Pacific Basin Sphere," "Pacific Economic Community," and "Pacific Basin Community".... While their names differed, the common basic thrust of these "concepts" was the exploration and development of Japan's economy and trade in the Asian-Pacific region.

I. First Mention of the Matter

After the war, Japan's economy developed rapidly. In a short span of just slightly more than 30 years, Japan has already jumped to the rank of the number two economic superpower, second only to the United States among the capitalist countries. In 1978, her gross national product reached as high as U.S. $1 trillion, which was 10 percent of the gross world product; her foreign trade exports exceeded U.S. $100 billion, with a favorable balance of U.S. $24 billion. Of this latter amount, the favorable export balance to the United States was the highest, reaching U.S. $11.6 billion, while the favorable export balance to the European Common Market amounted to U.S. $6.4 billion.

The fact that Japanese products enjoyed good sales in the European and American markets and earned huge amounts of money caused strong dissatisfaction on the part of the countries of Europe and America. But foreign trade is the lifeline of the development of Japan's economy, 80-90 percent of whose resources depend on imports, and one-third of whose industrial products depend on sales abroad. In a situation in which her trade in Europe and America was subject to great limitations, the development of her trade and economic intercourse with countries along the Asian-Pacific coastal lines therefore became a most urgent issue for Japan.

In the 1960's and early 1970's, statesmen and scholars such as Takeo Miki, Kakue Tanaka and Kiyoshi Kojima proposed the concept of an "Asian-Pacific

Sphere" and the issue of "Cooperation Among the Countries of Asia" in order to enable Japan to find a stable supply of her raw materials and a market for the sale of her products. But these proposals were never advanced any further at the time because of the underdevelopment of the economies of countries along the Pacific littoral and their feelings of loathing for Japan.

Today there has been a pertinent turn for the better in the feelings of Asian-Pacific coastal countries toward Japan, and these countries are all devoting efforts to develop their national economies. Thus they too have a desire to develop their economies with the assistance of Japan's economic might.

Although the administrations in Japan have not publicly proposed any specific policies promoting a "Pacific Economic Sphere," beginning in 1962 organs like the Economic Survey Association have been discussing concepts such as a "Pacific Common Market," a "Pacific Free Trade Area," a 'Pacific Economic Cooperation Organization," and a "Pacific Community." In the summer of 1977, Japan published a book entitled "Issues of the 21st Century." This book was published with a grant of 300 million yen given by the Japanese Government, with the council chairman of the Japan Comprehensive Research and Development Institute Tadao Mukozaka, as editor. He concentrated as "national policies" the research results of 14 civilian institutes, such as the Nomura Comprehensive Research Institute, the Mitsubishi Comprehensive Research Insitute, the Japan Ecoromic Survey Association, etc. In the spring of 1978, in order to campaign for prime minister, Masayoshi Ohira entrusted the thinktank of the Nomura Comprehensive Research Institute to conduct a further study of this question. In March 1978 a specialist at the Nomura Comprehensive Research Institute, Jiro Tokuyama, suggested the "Pacific Basin Economic Sphere Concept" at a meeting in Hawaii of people in Japanese-American financial circles. At this same time, Japan's important newspapers and journals published a number of articles and proceedings of symposia on this question.

Thus, Japan aroused a "Pacific fever," and the world came to be more than ever concerned about the Pacific. In July 1978, U.S. Secretary of State Kissinger said to Jiro Tokuyama: "Don't we already have signs that the direction of history is leaving Europe and shifting from now on to the Pacific region?' In November he said again to Prof Fuji Kamiya: "In the 1980's Japan is going to play an important role in the international arena." "The Pacific is going to be the center of world events in the late 20th century and the 21st century." On 22 April 1979, he said at a forum held by the Yomiuri Shimbun in Japan: "The center of gravity of the world is gradually shifting from the Atlantic to the Pacific region." The financial adviser to the Malaysian Government, Chen Xiuxin [7115 0208 0207], said at a briefing conference on Asian commerce in April 1978: "Over 30 years ago, I predicted that after World War II the political center of the world would shift from the Atlantic to the Pacific; now such a situation is really appearing before us. I think that in the last quarter of the 20th century, the fate of mankind is to be decided in the Pacific."

With world opinion so concerned about the Pacific region, Ohira took the opportunity of his second turn at forming a cabinet, in November 1979, to

formally propose for the first time the "Pacific Economic Sphere Concept" as his "national policy," by way of accepting the "All-Pacific Cooperation Plan" submitted by new Foreign Minister Saburo Okita.

II. Nature, Content, and Membership of "Pacific Economic Sphere"

In the development of the world economy today, there is a conspicuous trend to organize regional economic blocs according to geographical, historical and economic conditions. In the Atlantic region, the European Community was organized long ago; it has been relatively effective in promoting the economic development of the participating countries. Some countries in the Pacific region also have demanded the formation of certain regional common economic organization. Poor in resources and dependent on trade, Japan needs even more to make economic cooperation multilateral. A "Pacific Economic Sphere Concept" born against such a historical background is bound to take economic cooperation as its primary goal. Although the possibility cannot be excluded that it might eventually develop into something like the European Community, which includes the characteristics of a political and military alliance, at present it will very probably be just a loose association established on the basis of bilateral or multilateral economic cooperation.

The "Pacific Economic Sphere" will put emphasis on carrying out the following aspects of cooperation:

1. Establish research and educational institutions with a genuinely international high level, exchange scholars, and train students and scientific and technological personnel from various countries. Set up various data and information centers, share the use of data, and exchange research results. Establish communications networks and strengthen news networks (such as the launching of communications satellites for joint use by various countries of the Pacific). Develop the tourist industry and increase personnel exchanges.

2. Set up regular institutions for the promotion of trade, carry out bilateral or multilateral trading activities in a planned and strategic way, study the production of mutually beneficial commodity items for the granting of special favored tariffs, and solve in a timely manner various trade contradictions.

3. Establish economic cooperation organizations and study the undertakings of member countries (and areas) in importing advanced technology and whole sets of equipment, in handling loans, in starting up enterprises, in increasing the number of jointly run enterprises, etc. Set up common investment organizations, study the key areas for investment, protect the environment, sign guarantees for investment, etc.

4. Establish institutions for the common exploitation of oceanic and other important resources; study, survey, and define development projects in common; establish various cooperative systems; organize joint survey teams; use survey data and adjust contradictions together. With respect to energy, foodgrains, etc., in particular establish special institutions to help petroleum-producing and foodgrain-producing countries to increase their

production, and at the same time study the establishment of petroleum storage and redistribution bases and foodgrain storages at sea. Also, cooperate in the study and utilization of atomic energy, solar energy, earth heat and coal liquefaction, etc.

5. Establish regional teamwork organizations to conduct periodic studies of the economic development, production structure, and similar situations in the Pacific countries, and carry out appropriate adjustments so that the production arrangements of member countries will adapt even more relevantly to their respective economic development. For instance, in steel production, set up a Pacific steel cooperation institution to assure a long-range, stable relationship between the exploitation and supply of iron ore and raw coal and their demand. In the case of the deployment of production enterprises related to steel, such as automobile, shipbuilding, machinery manufacturing plants, etc., there should also be discussions and proposals on concepts for adjustment.

6. Strengthen financial cooperation; improve the money market, for example by establishing a Pacific cooperative foundation to help countries of the Pacific to exploit their resources; import whole sets of equipment and advanced technologies; and open up new industrial districts, supplying compensation to member countries indebted in trade; and establish various scientific and cultural research institutions, etc. Before a Pacific cooperative foundation is established, full scope must be given to the roles of U.N. financial institutions such as the Asian Development Bank. Along with the further internationalization of Tokyo, strengthen the connection between the Hong Kong and Singapore international financial centers and the rest of the world. Negotiate, study, and put into effect some kind of uniform monetary system.

The economy, geography, history and ethnic conditions of members of the "Pacific Economic Sphere" are extremely diverse. There are capitalist countries of the world with highly developed economies; there are countries and areas with underdeveloped economies; and there are also socialist countries. According to the connotation of the "Pacific Economic Sphere," all countries or areas along the Pacific coast, including the United States, Canada, Australia, New Zealand, the five countries of the Association of Southeast Asian Nations, South Korea, our Taiwan Province, Hong Kong, Brazil, Argentina, Mexico, Venezuela, the Soviet Union, the Korean People's Democratic Republic, the three countries of Indochina, and our own country can participate. Japan's Prime Minister Ohira also declared: "Carry out open cooperation. Do not exclude any countries which are willing to participate." But when he broached the five principles of the "Pacific Basin Cooperation Plan," he emaphsized: "There is need to secure the cooperation of the five 'advanced countries,' including the United States (Japan, the United States, Canada, Australia, and New Zealand), as well as the Association of Southeast Asian Nations." It is thus not very difficult to see that, in its conceptualization of the membership question, Japan does have its own points of emphasis and orderly steps.

According to the conceptualization of the Japanese Government and scholars, the "Pacific Economic Sphere" is going to be made up at first of Japan, the United States, Canada, Australia, New Zealand, the ASEAN countries, South Korea, the province of Taiwan, Hong Kong, and the like, and then expanded later. They think that the above countries and areas are situated at the center of the Pacific and their strategic positions are very important. The economies of the five "advanced countries" are all highly developed, their capital is abundant, and they need to export capital and expand their trade. The five ASEAN countries have rich resources and are eager to exploit them, and they are also endeavoring to develop their economies and are in need of exporting their resources to earn foreign exchange so as to promote their own industrial development. Even more important, they have traditional relations of economic cooperation. The raw materials Japan imports from the ASEAN nations make up 80 percent of the raw materials she imports from Asia as a whole. Of these, rubber akes up 98 percent of all her imports in this category; tin makes up 90 percent; sugar makes up 20 percent; and petroleum makes up 16 percent. In 1975-1977, bilateral trade between Japan and the ASEAN countries exceeded that between Japan and the United States--amounting to U.S. $14.4 billion. In 1978, Japan's exports to and imports from the ASEAN nations increased respectively by 34.9 percent and 14.7 percent over those of 1977, making up respectively 24.3 percent and 22.2 percent of total Japanese exports and imports; they ranked second in both cases. Of Japan's imports, 44 percent of coal, 48 percent of iron ore, 65 percent of ardennite, and 85 percent of beef all came from Australia. And of Australia's exports, 79 percent of coal, 77 percent of iron ore, 55 percent of lamb, 31 percent of granulated sugar, 31 percent of sheep's wool, 13 percent of beef, and 39 percent of wheat all went to Japan.

In their long-term economic exchange with Japan, South Korea, and our province of Taiwan and Hong Kong have forged close economic relations. At present, of South Korea's U.S. $940 million of foreign private direct investment, Japan contributes 66.3 percent, and of its 1,040 items of imported foreign technology, Japan contributes 61.3 percent. In 1978, South Korea's trade with Japan was valued at a total of U.S. $8.9 billion, or 31 percent of its total trade. Japan's trade with and investment in our province of Taiwan have been next only to those of the United States. In 1977, trade with Japan made up 55.7 percent of the foreign trade of three processing districts on Taiwan, and of the 1,075 items of advanced technology imported by them, 773 were from Japan. After the establishment of diplomatic relations between China and the United States, Japan's trade with and investment in Taiwan have expanded even faster. In the first half of 1979, Japan's trade with Taiwan increased by 32.8 percent over that of the corresponding period in the previous year.

Because of the establishment of Sino-American diplomatic relations, the status of Hong Kong as an entrepot of world trade and international financial center has been further elevated. Hence, Japan also pays more attention to Hong Kong. In 1979, the "Hong Kong-Japan Economic Cooperation Commision" was established. Japan's principal enterprises all have agencies in Hong Kong. Prior to this, in 1978, Japan's trade with Hong Kong had already achieved a favorable balance of U.S. $2 billion, which constituted the worst unfavorable balance for Hong Kong in respect to all its trade partners. In the same year, Japan's investment in Hong Kong made up one-fifth of all foreign investment there, ranking second.

Up to 1978, Japan's investment in the nine countries and areas of the five ASEAN countries, South Korea, our province of Taiwan, Hong Kong, and Australia totaled U.S. $6.45 billion, or 29 percent of Japan's total foreign investment of U.S. $22 billion. Up to 1977, Japan's official economic aid to the ASEAN countries amounted to U.S. $7.8 billion, constituting 40 percent of Japan's total foreign aid and 47.3 percent of all aid by the developed countries for ASEAN, ranking first among them.

The relations of the United States with the above countries and areas are about the same as those of Japan, although, in terms of the developing trend, Japan's have already exceeded those of the United States in some countries or areas (such as South Korea, Thailand, Malaysia, Indonesia, etc.). But at present, their international economic relations are still mainly anchored around the United States. The exports to the United States by Singapore, Hong Kong, and our province of Taiwan all rank first in their respective total exports. They often use the favorable balance gained from the United States to compensate for their unfavorable balance to Japan. In 1978, for instance, South Korea had a favorable balance of U.S. $660 million with the United States but an unfavorable balance of U.S. $3.3 billion with Japan. Taiwan's 1978 favorable balance of U.S. $2.8 billion with the United States was slightly higher than its unfavorable balance of U.S. $2 billion with Japan. There are similar situations with regard to Indonesian, Philippine, and Thai trade with the United States.

Japan and the United States have long been trade "partners." But the fact that Japan at present lists the United States as an important member of the "Pacific Economic Sphere" is mostly based on security considerations. From the long-range point of view, Japan is ultimately going to part company with the United States and advance toward "independence." On the other hand, America's traditional economic activities have been anchored mainly in Europe, and America's fundamental interests and key points of struggle with the Soviet Union are also in Europe; hence it does not have the strength to participate too much in the daily affairs of the "Pacific Economic Sphere." For this reason, the United States is unlikely to play an important role in the "sphere."

III. Prospects

Not only is the establishment of a "Pacific Economic Sphere" necessary for the development of Japan's economy but, from the situation of the economic development of the Pacific region, there are beneficial factors for the establishment of such an "economic sphere."

1. The Western Pacific Area Is at Present One of the Most Thriving Areas of World Economic Development.

After the 1973-1974 petroleum crisis, Japan's economic annual growth rate was reduced from the previous 10 percent or so to 5-6 percent, but it was able to maintain a level higher than all the other developed capitalist

countries. Singapore, Hong Kong, the province of Taiwan, and South Korea in 1970-1977 enjoyed on the average a progressive annual industrial growth rate of 28.8 percent, which was higher than Japan's 22.7 percent during the same period. In 1978, their average economic growth rate was 11 percent and that of the ASEAN nations was 7.6 percent, while that of the developed countries was only 3.5 percent. According to the predictions of economic cooperation and exploitation institutes, by the year 2000 Japan's per capita gross national product will be U.S. $10,577; Canada, U.S. $10,086; the United States, U.S. $9,943; and the European Common Market, U.S. $6,900: Japan will surpass the United States and other countries in this area. In 1970, the GNP of United States was 31 percent of the 1970 world gross product; that of the European Common Market, 20 percent; that of Japan, 6 percent; and that of Japan plus China and the other Asian countries, 16 percent. By the year 2000, the relative proportions will change to: United States, 19 percent; European Common Market, 15 percent; Japan, 10 percent; and Japan plus China and the other Asian countries, 23 percent. Then, Japan and China together will have an economic strength equal to that of the United States.

Along with the development of their economies, economic relations between members of the conceived "sphere' will also become closer. At present, the rate of interdependence within the "sphere" is 61-62 percent--lower than the 80-83 percent within the Atlantic region, but with a faster rate of development. In 1977, Japan's exports to Thailand increased threefold over those of 1971; to Malaysia, twofold over those of 1975; and to Singapore, 37 percent. In 1973-1977, the exports of the five ASEAN countries scored an average progressive yearly increase of 23.6 percent. In 1978,, exports of the 'four areas" of South Korea, Hong Kong, etc., also increased 25 percent, whereas total world exports increased only 15 percent. The development of trade, in turn, spurred economic development and made it profitable to put to widespread use such means of [transportation and] communications as big oil tankers, big jet airplanes, communications satellites, and new undersea cables. The countries around the Pacific thus tend to become even more closely associated with one another, turning the Pacific into an "internal" ocean.

2. Within the "Sphere' Are the World's Most Abundant Manpower and Material Resources.

The conceived 'Pacific Economic Sphere" at present has a population of more than 1.7 billion, which is slightly better than one-third of the world's total. Natural resources within the "sphere" are also abundant, with foodstuffs more than self-sufficient. The United States and Canada are the world's greatest foodstuff exporters. Their wheat exports make up 90 percent of the world's total exports, and their other grain exports also make up more than 80 percent of the world's total exports. Rice is the main item of consumption in the Asian-Pacific area. Thailand is the world's second rice-exporting country, with a yearly amount of nearly 2 million tons of rice for export, which is 20 percent of the world's total exports. The rice supplies of Japan, South Korea, and Taiwan Province are basically self-sufficient, while Malaysia is 90 percent self-sufficient. There is a serious deficiency in foodgrain supplies only in Indonesia, Singapore, and Hong Kong. At present, except for the United States and Japan, individual foodgrain production in countries and areas within the "sphere" is generally rather low.

Therefore the potential is very great, and if American and Japanese management methods are employed to raise individual production, there will be a far greater surplus within the 'sphere.'

Other resources in the 'Pacific Economic Sphere' are even more abundant. For example, the ASEAN countries alone produce 82 percent of the world's rubber, 70 percent of its palm oil, 63 percent of its tin, and 80 percent of its tropical lignosae. Malaysia is called "the kingdom of tin and rubber"; the production of both its tin and its palm oil ranks first in the world. The production of tin makes up one-thrid of the world's supply, and that of rubber makes up half of the world's supply. Malaysia also exports petroleum, coal, iron, wolfram, gold, bauxite, copper, and many other minerals. The Philippines is the world's largest coconut grower and exporter; its production of coconuts makes up 45 percent of the world's total. In the first half of the 1970's, Philippine copper exports ranked fourth in the world. The production of Thailand's natural rubber makes up 11-12 percent of the world's total, and both its production and its exports rank thrid in the world; its production of tin ranks fourth in the world, making up 12 percent of the world's total; its sugar exports rank fifth in the world; its fishing catch ranks seventh in the world; and production and exportation of tubers both rank first in the world. Indonesia's quinine, rattan, and kapok production ranks first in the world; its production of rubber ranks second in the world; its production of tin ranks thrid in the world; and its petroleum exports rank first in Asia.

Australia is a country with especially numerous mineral resources and a very well developed agriculture and pastoral industry. The production of its iron, aluminum, gold, copper, zinc and other minerals ranks high in the world. Its surveyed uranium resources at present make up 15 percent of the world's total; it is one of the world's principal uranium-producing countries. Its wool production and exports both rank first in the world; in 1978, its wool production was approximately one-third of the world's total. Australian woolen products make up 47 percent of the wool that enters the international markert. It is also one of the world's largest suppliers of meat, with 600,000-900,000 tons of beef exports and butter exports a year--the third highest in the world.

In addition, from the manganese nodules discovered under the Pacific Ocean can be refined several thousand times more manganese, nickel, cobalt and minerals of the like than are available on land.

3. Regional Economic Cooperation Has Already Demonstrated the Prototype of the "Pacific Economic Sphere."

Regional cooperation of various forms as represented by ASEAN is developing rapidly within the "sphere." In December 1978, the ASEAN countries held their Seventh Conference of Economic Ministers and reached agreement on building large-scale carbamide plants in Indonesian and Malaysia and caustic soda plants in Thailand. At that conference, another 500 commodities were approved among the commodity items granted special favored trade

tariffs. In September 1979, another resolution was passed to include 1,000 additional commodities as trade products to be granted such special favored tariffs. Up to the present, the number of such special favored commodities for trade between the countries has increased to 2,326, with a general 10 percent tariff reduction. In order to assure stable supplies of petroleum and foodgrains, ASEAN also established an 'ASEAN Petroleum Council' and formulated plans for the emergency supply and distribution of petroleum as well as plans for foodgrain accumulation. Bilateral cooperation between ASEAN members has also increased. In 1979, Indonesia and Singapore formed a joint partnership to establish a free trade district in Batam. Plans for Indonesia to supply petroleum and cement to Thailand, and for Thailand to supply rice, are being carried out. Agreement has already been reached on plans for Singapore to supply electric power to Indonesia, as well as for Malaysia, Singapore, and Thailand to connect their power supply systems so as to mutually adjust their electric power supplies. Most recently, an undersea cable was completed between the Philippines and Singapore at a cost of U.S. $500 million, with 1,380 telecommunications routes and a length of 1,514 nautical miles. An undersea cable is being built between Singapore and Thailand. In 1978, an ASEAN trade, investment, and tourist center was established in Tokyo.

Apart from ASEAN, economic cooperation between other members of the "sphere" continues to be strengthened. In 1979, Japan and Taiwan Province jointly completed an undersea cable that is 650 kilometers long and cost 5.4 billion yen. Its communication capacity is greater than any except the Japan-U.S. and Japan-South Korea routes. In September 1979, Australia declared that it would implement a new system of tariff measures toward ASEAN and other developing countries. In October, ASEAN and Australia reached an agreement on a mutual reduction of air fares. Up to the present, Australia has established 111 enterprises in ASEAN countries. New Zealand and Australia signed a free-trade agreement more than 10 years ago. In recent years they have been preparing to organize an Australia-New Zealand tariff alliance similar to that in the European Community.

On 26 November 1979, Japan and the ASEAN countries held their first economic ministers conference and decided to carry out extensive cooperation in finance, science, technology, trade, and investment. On 17 December, Japan's "civilian financial personalities also held a conference with Singapore and set up the ASEAN-Japan Economic Association.

It is especially worth noting that as Japan enters the 1980's, it has accelerated its promotion of the 'Pacific Economic Sphere.' In the wake of Japanese Prime Minister Ohira's visit to our country at the end of 1979, he subsequently visited Australia, New Zealand, and Papua-New Guinea in early 1980 and secured the full understanding and support of the chiefs of the three countries with respect to the "Pacific Basin Cooperation Plan," receiving from them their pledge to play an active role in its realization. In the middle of January this year, MITI Minister Toru Sasaki also visited Indonesia and Singapore; at the same time, the United States also indicated a special interest in the "Pacific Economic Sphere." On 9 January, Chairman Wolff of the U.S. Congressional Subcommittee on Asian and Pacific Affairs

suggested: "Entrepreneurs and representatives of civilian research institutions should gather together to establish a 'Pacific Community Association' in order to promote the formation of the 'Pacific Basin Economic Sphere.'" On 28 January, Japan and the United States held talks and reached an agreement on the seven undertakings to be initiated in the first stage of the execution of the "personnel training plan" in the Pacific region.

The above developments indicate that there are already various beneficial factors for the realization of the "Pacific Economic Sphere." But there are also difficulties and zigzags.

First of all, the devilish claws of aggression of the social imperialism of the Soviet Union have already stretched into the Pacific region. Its naval forces have been swashbuckling across the Pacific, and its lackey Vietnam is still continuing to carry out a savage war of aggression in Kampuchea. All of this constitutes a very great threat to the realization of the "Pacific Economic Sphere." Meanwhile, [there is a] Japanese-Soviet territorial dispute. And the political situation of some members of the "sphere," such as South Korea, is unstable. Moreover, the systems of countries along the Pacific littoral are not the same, their levels of development differ, and they have different views and some doubts about the "concept." In particular, they are on guard against Japan itself, as the basic nature of Japan's monopolist bourgeoisie to seize excessive profits always causes people to be vigilant and hence increases the difficulties in realizing the "Pacific Economic Sphere." Also, certain unforeseen difficulties and zigzags may occur in the future process of development. Hence, the "Pacific Economic Sphere" is unlikely to take shape and develop rapidly.

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SHANGHAI PAPER CARRIES LETTERS ON INDIVIDUAL ECONOMIC CONCERNS

HK061032 Shanghai WEN HUI BAO in Chinese 26 Aug 80 p 3

[Letter to editor: "What Should Be Our Attitude Toward Individual Industrial and Commercial Undertakings?--On Our Understanding of the Current Policy of Liberalizing the Economy"]

[Text] Comrade Editor,

Recently, your newspaper has been carrying many reports on such subjects as the fixing of farm output for each household in certain mountainous areas and farming villages, the running of small workshops in urban areas by retired workers, as well as about privately operated restaurants, and the rehabilitation and development of individually run industrial and commercial enterprises. After we had read this news, it became the subject of much discussion in our group. Some comrades said that this way of proceeding from reality was of value in boosting the economy. We ought to continue to emancipate our thoughts and to liberalize policies. Other comrades asked, in a half-believing, half-skeptical way, whether this was not a case of "retrogression." Doing this kind of thing appears to boost the economy, but might it not throw the normal order of the economy into disarray and give rise to a new kind of exploitation? No one was able, throughout the discussion, to talk the others round to his way of thinking, and so everybody asked me to write to your paper on their behalf, in the hope that an explanation might be printed.

Yours faithfully, Li Ming [2621 7686]

Dear Comrade Li Ming,

The problem raised in your letter is in fact that of how the present policy of liberalizing the economy should properly be understood. This problem is not only intimately related to the present boosting of the economy, development of production and fulfilling the requirements of the people, but is also linked with the adjustment of the structure of the system of ownership of the means of production. It merits thorough

study. I would like to present my own understanding of the question, raised in your letter, as to whether the new policy means "retrogression" or not, and to discuss this with you.

Since the 3d plenary session of the 11th party committee, the individual economy of towns and cities has undergone rehabilitation and development. According to statistics issued by the ministries concerned up to the end of July of this year, the total number of individually run industrial and commercial enterprises in the towns and cities of the whole country had already reached almost 400,000, with our own city, Shanghai, being the only one with more than 10,000. In making arrangements for setting up these individually run industrial and commercial undertakings, the fact that they are conveniently located at every street corner, and that their management is flexible and their service quick and attentive, have received widespread acclaim from the masses. Now why is it that some comrades cannot accustom themselves to a phenomenon of this kind, which benefits both the people and the state, and even go so far as to wonder if it is tantamount to "retrogression"? The reasons for this are historical. The existence and development of individually run undertakings are obscure and confused. At the time of the three great socialist transformations, the majority of organizations formed themselves into cooperatives and cooperative groups and, although some remained the same as before, their pace of operations was speeded up somewhat. In 1958, a large number of these began to be organized, and limited measures were also taken in regard to those which still remained unchanged, with the result that individual economy no longer had a good name. Some of the individual enterprises were rehabilitated at the time of the 3-year period of national economic readjustment, a move which was welcomed by the masses. But after 1966, there was a "clean sweep," after which the "capitalist tails" were docked, and individually run industrial and commercial undertakings disappeared almost without a trace. At the same time, the influence of the ultraleftist pattern of thought caused people to form a guideline as to whether the system of ownership was "progressive" or "backward," as well as to its degree of superiority. This did not pay any attention to what the situation of the productive forces was like, and almost amounted to saying that the "bigger" and the more "public" the scope of the ownership system was, the better and more "progressive" it would be; on the other hand, the smaller it was, the worse and more backward it would be. According to this guideline, a cast-iron order took shape on the following lines: ownership by the whole people was better than ownership by collectives; ownership by large-scale collectives was better than ownership by small-scale collectives, and ownership by small-scale collectives was better than individual ownership. Everything which, according to this system, developed from small-scale to large-scale, was "progressive," and conversely, everything which developed in the reverse direction was "retrogressive." The fact that, right up to the present, some comrades still have reservations about supporting the individual economy, and are afraid that they will be accused of being retrogressive and of upholding the development of capitalism, really has its origins in this system.

In reality, this kind of standard for evaluating the system of ownership without taking into account the social forces of production, and for talking about whether the relations of production are "progressive" or "backward" while not taking into account the actual state of the social forces of production, has absolutely no significance whatsoever. It is one of the basic tenets of historical materialism that the productive forces determine the relations of production and that the relations of production must be suited to the situation of the development of the productive forces. Whenever we are evaluating the degree of superiority of any particular system of ownership, or determining whether its direction of development is progressive or retrogressive, we must always use as our only criterion whether or not that system is suited to the nature of the productive forces and the requirements of development at the time and place in question. Working on the basis of the actual situation, in which at China's present stage of development and the level and situation of the productive forces in all the various areas and departments of the whole country are extremely unequal, we must, under the condition that the system of socialist public ownership still maintains its position of superiority, allow more different economic elements and more different forms of enterprise to come into being, and this includes permitting the existence of individual economy, within certain limits, in towns and villages, and its development up to a certain level. Today, we need to emancipate our thinking and liberalize our policies, and from the point of view of readjusting and reforming the structure of the ownership system this means that we must liberate ourselves from talking about the formula and order which demand that ownership be "firstly on a large scale and secondly public," without taking into account the state of the productive forces and that we must, in the spirit of seeking truth from facts, adopt that form of ownership system which is most capable of promoting the development of the forces of production, working from the reality of China's present stage of development, and according to the level and situation of the productive forces prevailing in all areas and departments. Whether there be ownership by the whole people or by the collectives, we must still carry out reform of the system of organizing management and administration, and we must allow the adoption of different forms of management according to differences in location, in the kinds of trade being carried on, in the levels of mechanization existing, and scales of production; if this is not done, it will not be possible to give full play to the principle of maintaining socialist public ownership in its position of superiority. As an example of this, we may take the experiment, at present being tried out, of expanding the autonomy of enterprises, which in fact represents the beginning of the reform of the management and administration of enterprises owned by the people as a whole. "The fixing of farm output quotas for each household," which was mentioned in your letter, is in fact a kind of revision of the form of management and administration of agricultural production brigades; it is a form of the system of responsibility for production which practices accountability for output. It has been proved in practice that the implementation of the form of system of responsibility

known as "the fixing of farm output quotas for each household," in many areas where the levels of the productive forces and of administration were low, where the economy was backward, and where life was hard, could very quickly increase production and improve the standard of living. The so-called "fixing of farm output quotas for each household" certainly does not alter the nature of collective ownership; proprietary rights over the means of production, control of the distribution of products, and the right of allocation of the labor force still belongs to the production brigades. Individual initiative and responsibility have simply been given full rein in the pattern of management and administration, and because of this we cannot say that "the fixing of farm output quotas for each household" represents a "retrogression" in the direction of individual farming. Even if it were individual farming, it could still not be equated with the individual farming and other things which were practiced under the reign of capitalism. Under the present conditions in China, a peasant family farming on its own are peasants subscribing to the system of ownership by individuals, but have close relations with the socialist public ownership economy, and bear no relation to the small-scale peasant economy of the old society; under normal conditions this cannot develop into capitalism, and of course it is even less permissible to compare individual farming and this type of thing with capitalism. Further, in sparsely populated areas deep in the mountains or forests, or in areas inhabited by nomadic tribes, it is obviously fundamentally unsuitable to organize collective labor, and individual farming may, on the other hand be well suited to the state of development of the productive forces in those areas.

At present, the reason why we need to rehabilitate and develop the individual economy in the towns and cities, if we go right to the heart of the matter, is also determined by the objective law that the relations of production must be in harmony with the forces of production. In urban areas, a large number of industries which directly serve the daily requirements of the people, such as the food industry, the clothing industry, the repair industry, the housing repair industry and the short haul transport industry and so on, basically involve manual labor and a decentralized management. In adapting to productive forces of this nature, the only suitable arrangement is that of the individual economy, small cooperative groups or full cooperatives assuming sole responsibility for their own profits or losses. Considering the special features of these various industries, even if they achieve modernization, it will not be easy for them to assume the form of large-scale economic organizations. Thus, as the working committee on labor and employment, recently convened by the party Central Committee, has clearly pointed out, the individual economy should be actively supported and suitably developed; this is a long-term policy, adopted on the basis of lessons learned from history, and in keeping with objective conditions.

Apart from the necessity of clearly recognizing the existence of the individual economy in urban areas, it must be considered in the light of

its role in such areas as developing the socialist economy, enlivening the market and opening up new opportunities for employment, areas where the positive contributions it has made could not have been duplicated by a state-run or collective economy. This also means that, in respect of a great many contributions toward serving social production and the quality of life, state-run and collective economies cannot and should not be called into account. The individual economy is urgently needed to assist in "making up for goods shortages and deficiencies." For example, state-run and collective enterprises may not be able to fully meet the production plan for the various small commercial goods of all kinds and shades required by the people; the people would like to be able to buy all the consumer goods they require at convenient times and places, but state-run and collective commercial undertakings cannot provide the required number of shops with day and night service, nor can they open so many branches or send out so many mobile service teams; the people need more "on the doorstep" services catering to individual customers or to households, but it would be difficult for state-run and collective enterprises to provide this kind of service to their complete satisfaction. In all these situations, the individual economy is needed to "make up for goods shortages and deficiencies," and to make up for the inadequacies of state-run and collective industrial and commercial enterprises.

Some comrades express concern over whether the development of the individual economy might not cause confusion and bring about new exploitation. The key to a clear understanding of this question is to clarify the nature of the individual economy in a socialist society, and to adopt correct policies in relation to it. The law clearly stipulates that it is permitted for individual workers to carry out individual labor, so long as it is within the scope of that allowed by law, and as long as it does not exploit other people. In his speech on the occasion of the 30th anniversary of the foundation of the People's Republic of China, Comrade Ye Jianying also pointed out that: "The individual economy among urban workers, which continues to exist within a limited scope, belongs to and supplements the economy of socialist public ownership." This is to say that there are important differences between the nature and function of the individual economy within a society of socialist public ownership and those of the individual economy within a society where the system of private ownership exists. Throughout the course of history, the individual economy has never become an independent pattern of production, but under various social systems has always been appended to the economic system holding the dominant position, and thus given rise to differing effects. Under China's present economic conditions, since it is an economy which is limited in scope, subordinated to the economy of socialist public ownership and having a supplementary effect on the system of public ownership, it is thus incapable of bringing about confusion by blindly developing in an unrestrained manner, and cannot reach the extreme of developing into capitalism. That is to say, the key to whether or not the individual economy can give rise to capitalism is the

conditions under which it exists. Under conditions where the system of public ownership of the means of production holds a position of absolute superiority, and where labor is not a marketable commodity, and where, in addition, such aspects as the scope of enterprises and the supply of raw materials, as well as prices for products and tax revenue are all under the administration of, and are restricted by the economy of public ownership and the relevant departments of the state, under such circumstances, individually run industrial and commercial undertakings which are carried on within the limits permitted by law, which allows individuals to earn a living by relying on their own labor, and does not exploit others, cannot be said to constitute capitalism. The work and the positions in society of those who are involved in individual industry and commerce should be safeguarded and respected, and there should not be any discrimination against them.

Of course, after the individual economy has started to develop, various problems may arise, but these can be ironed out by formulating laws and regulations, and by strengthening management. When we say that we need to liberalize policies, this should not amount to liberalization with no organization; on the contrary, we should study new management methods as new situations arise and, through positive leadership and proper support, correctly work toward making things active but not chaotic.

To sum up, we should all adopt a correct attitude toward the nature and effects of the individual economy in towns and cities and, in line with the general guidelines and related plans and policies laid down by the party Central Committee in respect to "emancipating our thinking and liberalizing our policies, and boosting the economy," we should encourage and support the individually run enterprises, undertaking by young people waiting for employment and by those not otherwise occupied in society, which are within the limitations of the policy, and we should moreover give our assistance to the departments concerned with the administration of trade and industry in successfully carrying out the work of organizing these enterprises.

Cao Zongqing [2580 1350 7230]

CSO: 4006

SHANGHAI: BAOSHAN IRON, STEEL PLANT PROMOTES CADRES

HK040528 Shanghai JIEFANG RIBAO in Chinese 6 Sep 80 p 1

[Article by Wu Liehao [6762 3525 6275]: "Cadres Basically Deployed in the Production Command System of the Baoshan Steel Complex--On Laying a Solid Foundation for Putting the Project Into Operation Quickly After Its Completion"]

[Text] With the support of the fraternal units of the Ministry of Metallurgical Industry and the Shanghai Municipality, the main plant of the Baoshan Iron and Steel Company has rapidly deployed its leading production group and organized its production contingent. It has also basically deployed cadres in the production command system and trained a number of technical workers. This has laid a solid foundation for putting the project into operation quickly after its completion.

While inspecting the Baoshan Iron and Steel Company, several leading comrades of the State Council repeatedly pointed out that immediate and close attention should be paid to the preparatory work of the project. Over the past year, the leading group of the main plant of the Baoshan Iron and Steel Company has promoted to leading posts cadres who are in their prime and who had performed well academically and who possess practical experience. More than 110 cadres have been appointed to posts at department and section levels. Sixty eight percent of them are university and technical school graduates and 55 percent are technicians. More than 330 cadres have been appointed to posts at office and workshop levels. Sixty five percent of them are university and technical school graduates and 56 percent are technicians. The average age of the 12 leading administrators in the 8 departments is 44, the youngest being 38. The average age of the chief leaders at department and section levels of the main plant is 49. In order to simplify the administrative structure and to overcome bureaucratism, each department or section has deployed only one to two party committee secretaries and two to four leading administrators while the offices and workshops have not deployed any deputies.

At the same time, the leading group of the main plant of the Baoshan Iron and Steel Company has also seriously and successfully organized and built a contingent of technical cadres and workers. By the end of August, it has transferred 1,000 technical cadres and 3,500 technical workers who suit the needs of the project to the main plaint. These technicians had received high academic marks, possess professional knowledge as well as rich practical experience and are in their prime. To insure the success of the first operation and to achieve its designed production capacity within a shorter period of time, operators in charge of the key sections and key types of work in production have been trained. After 1 year's training, 94 percent of the 470 older workers who have over 5 years' experience and have been transferred from related enterprises within Shanghai Municipality have passed their final examination.

CSO: 4006

'RENMIN RIBAO' REPORTS ON WASTE IN LIAONING PROVINCE

OW050820 Beijing XINHUA Domestic Service in Chinese 0240 GMT 5 Oct 80

[Summary] Shenyang, 5 Oct (XINHUA)--"According to a report by reporter Li Huayi of the ANSHAN RIBAO, more than 3,890 dun of state salt has been laying unattended in Haicheng County's Niuzhuang, Gengzhuang, Tengao, Maoqi, Mafeng, Nantai and Ximu communes in Liaoning Province. No one has taken care of the salt for 17 years. Battered by rain and winds, the bags are worn out, and salt is everywhere on the ground. People can take salt whenever they want. Why has not anyone claimed the more than 3,890 dun of salt worth over 1 million yuan? After checking with the financial, supply and marketing, commercial salt wholesale departments of the communes concerned and those of Haiheng County, the reporter has come to understand that as early as in 1963, the Ministry of Finance, the Ministry of Commerce, the Ministry of Food, the All-China Federation of Supply and Marketing Cooperatives and the Ministry of Light Industry had issued instructions asking the related department in Liaoning to stockpile salt as a special commodity with funds from the Ministry of Finance. After receiving the instructions, the related department in Liaoning asked Haicheng County to allocate and transfer 3,894 dun of salt for war preparedness, and it was separately stored in the above-mentioned communes. It was said that the instructions of the ministries of the central authorities only reached the provincial and municipal level. The county was only informed of the quantity. At first the salt was taken care of by the grain departments on behalf of the ministries. Later the responsibility was shifted to commercial, supply and marketing and other departments. After several hand changes, nobody cared about the salt. During the entire 17 years since 1963, the departments concerned at the provincial and municipal levels have never sent anyone out to check and take care of the more than 3,800 dun of salt. Particularly after the 10 years of turmoil of the "Great Cultural Revolution," cadres of many of the units have been changed. Many comrades now even know nothing about the salt stockpile. Naturally, no one will take care of the salt."

Worrying about the losses to the salt stockpile, the commune party committees and the masses contacted a secretary of the county CCP committee and a deputy secretary in charge of financial and trade affairs in this

regard. After inspecting the communes, the county's leading comrades asked the county's supply and marketing cooperative to write to the provincial supply and marketing cooperative and other units concerned for instructions. But, the provincial supply and marketing cooperative and other units replied: "Like you, we are also acting on behalf of other organizations. Anyway, the salt is state property. Everyone has the responsibility to take care of it." However, when the commune party committees and commune supply and marketing cooperatives asked the higher authorities for funds to move the salt to a granary so that it could be well taken care of, the answer of the provincial supply and marketing cooperative and the departments concerned was: "The salt should not be moved. It should be left where it was originally stored."

"People are now asking: Who actually is the owner of the more than 3,800 dun of salt stored for as long as 17 years, and who should be held responsible for such waste?"

CSO: 4006

HONG KONG JOURNAL CALLS FOR PUNISHMENT OF VICE MINISTER

HK060757 Hong Kong CHENG MING in Chinese No 36, 1 Oct 80 p 53

[Article by Shao Kao [6730 7559]: "A Vice Minister's Outrageousness in Hong Kong"]

[Text] Several months ago, the Chinese Embassy in Belgium received an unexpected call from a Belgian bank inquiring whether China had sent a vice minister by the name of Yang Yibang to borrow money from the bank. Because the bank knew nothing about his background it was afraid that he might be a swindler and therefore contacted the embassy to find out.

Ambassador Kang Maozhao was stupefied. For although he was the Chinese ambassador to Belgium, he nevertheless had no knowledge of Yang Yibang's arrival in the country. According to regulation and custom, all Chinese personnel arriving in a foreign country must first report to the local embassy. However, Yang Yibang not only did not report at the embassy, he also did not notify the embassy of his arrival.

Exactly what kind of a person is Yang Yibang?

Actually, he was only an ordinary technician before the Cultural Revolution. He had distinguished himself in rebellion during the Cultural Revolution, and as a result advanced rapidly in his official career and rose like a helicopter to become a vice minister. His present position is: vice minister of petroleum industry, secretary of the CCP committee and concurrently general manager of the Yanshan petrochemical plant (formerly, the Dongfanghong oil refinery).

To find out the actual state of affairs, Kang Maozhao decided to call on Yang Yibang in person. However, he had no idea of his whereabouts and in the end could only inquire the address of his hotel from the Belgian bank.

When Kang Maozhao arrived at the hotel, he found Yang Yibang dressed in a Hong Kong made suit and wearing leather shoes with Spanish heels. He did not look at all like a Chinese official traveling abroad. This loan

he was making with the Belgian bank was through a company in Hong Kong, and he was most secretive about his activities.

Kang Maozhao was very angry, and upon returning to the embassy, he wrote a report on how Yang Yibang had approached a foreign bank for a loan without proper authorization from the Chinese official agency and his secretiveness and filed a complaint against him with the department concerned.

Actually, this complaint made by Kang Maozhao was already the second of its kind made against Yang Yibang. As early as last year, a bank in Hong Kong had lodged a complaint against Yang Yibang. However, he was not affected by the complaint because of his powerful backstage support.

When Yang Yibang visited Hong Kong last year, he disappeared from the moment he arrived in Kowloon. Even the communist agencies in Hong Kong did not know where he had gone.

It developed that he had contacts with a "portfolio company" that specialized in speculations. This company not only spent an enormous amount of money to entertain him, put him up at a high-class hotel and took him to high-class restaurants, but also supplied him with high-class prostitutes. The proprietors of this company naturally had a purpose for their generosity. Yang Yibang also did not disappoint them, for when talking business he allowed them to make an extra $1.5 million.

When this company saw the profits it could earn, it treated Yang Yibang like an honored guest, and Yang in turn also helped it in every possible way. Not long afterward, Yang appointed a responsible member of this company to be a consultant of the Yanshan petrochemical plant.

Later, with the help of this company, Yang Yibang also went to Japan and Western Europe to operate and borrow money. His approach to the Belgian bank was only a part of his numerous activities. He also signed a number of contracts with this company as an intermediary. However, because of the poor reputation of this company, some of the contracts such as those for chemical byproducts had to be canceled because the loans could not be guaranteed.

These actions of Yang Yibang were in serious violation of law and discipline and by right he should be punished. However, the charge brought against him by the Bank of China surprisingly did not affect him. What could be the reason? It seemed that the "petroleum clique" was very powerful and Yang's backstage bosses were even more powerful. Both Kang Shien and Lin Hujia did all they could to protect him. Therefore, after violating law and discipline in Hong Kong, Yang Yibang was still able to continue his activities in Western Europe and Japan. Even more surprising was the fact that in commemorating the "May 4" Movement, a paper in China still featured a special article playing him up as a model figure.

However, at the third session of the Fifth National People's Congress, Yang Yibang was censured by many of the deputies. His despicable behavior was brought up and the deputies called on the Central Discipline Inspection Commission and the law enforcement department to deal strictly with this matter.

The eventual outcome of Yang Yibang's fate is still not known at the moment. We think the central authorities should do two things:

1. Announce the true facts. Apart from delicate matters involving Chinese and foreign relations, all the bad things done by Yang Yibang should be made public.

2. Severely punish Yang. Yang Yibang has seriously violated law and discipline and moreover greatly damaged the reputation of the state and government. He should be severely punished according to law.

CSO: 4006

BRIEFS

EDUCATION IN BANKING--According to a GUANGMING RIBAO report, the general office of the People's Bank of China held a national meeting recently on higher education in banking. As of now, there are 22 colleges and universities offering majors in the field of banking with a total enrollment of over 3,000 students. [Beijing Domestic Service in Mandarin 0900 GMT 27 Sep 80]

HUBEI BANK CREDITS--The Hubei Provincial Bank gave 78.7 million yuan as credits to light and textile industries throughout Hubei Province from January to August 1980, and 62.53 million yuan has been spent by the enterprises accounting for 80 percent of the total credit. When the capital construction projects, which have been equipped on credit, begin to operate, the total production value each year will be increased by 1 billion yuan which is equivalent to 5.26 percent of the total industrial production value in 1979. In order to develop the capital construction projects, the Hubei Provincial CCP Committee and the provincial textile bureau and other industrial bureaus concerned have conducted meetings to formulate measures and provide supplementary materials. Hubei Province has arranged for 123 projects with the help of credits, and over 90 percent of the projects involve tapping the potential of, renovating and reforming old factories. Thus, production has been increased with a relatively low production cost. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 16 Sep 80 HK]

SHANGHAI FINANCIAL REVENUE--According to WEN HUI BAO, as of the end of September Shanghai Municipality had fulfilled 75.3 percent of the annual financial revenue plan, topping the financial revenue for the same period last year by 5.5 percent. [Shanghai City Service in Mandarin 2300 GMT 4 Oct 80 OW]

ZHEJIANG FINANCIAL APPROPRIATIONS--The Zhejiang provincial people's government recently decided to appropriate some 10 million yuan to support the development of scientific, educational, cultural and health work. Of this amount, some 6 million yuan will be used for subsidies for capital construction of institutes of higher education, educational funds for some institutes, construction of new vocational schools,

improvement of old technical schools and purchase of laboratory equipment for some middle schools. Some 1 million yuan will be used for subsidizing medical education, improvement of specialized hospitals and construction of a family planning research center. Some 1 million yuan will be used for subsidizing scientific research and popularizing scientific and technological accomplishments, and 1 million yuan for building cultural facilities, maintenance of principal cultural units and construction of a building for archeological research. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 4 Oct 80 OW]

ZHEJIANG PROFITS RETENTION--Hangzhou, 21 Sep (XINHUA)--The Zhejiang provincial government recently decided to reform the distribution of profits earned by collectively owned enterprises under the second light industrial department. According to a document issued by the provincial people's government, collectively owned enterprises under the second light industrial department should generally be allowed to retain at least 60 percent of their after-tax profits, enterprises which urgently need to develop production may retain more and enterprises which made under 5,000 yuan after tax in 1979 may retain all their profit for production and technical development. [Beijing XINHUA Domestic Service in Chinese 0300 GMT 21 Sep 80 OW]

LIAONING SAVINGS DEPOSITS--Since the beginning of 1980, savings deposits in urban areas of Liaoning Province have increased substantially. As of 20 September, savings deposits in the province's urban areas totaled some 1.64 billion yuan, an increase of 440 million yuan over that at the beginning of this year and 1.7 times more than during the corresponding 1979 period. The average savings deposits per staff and worker throughout the province is 245 yuan. [SK021107 Shanyang Liaoning Provincial Service in Mandarin 2200 GMT 27 Sep 80]

GANSU BANKING WORK--The Gansu Provincial People's Bank has come out with a set up of measures to invigorate banking work. The measures, approved and transmitted by the Provincial People's Government to the various banks in the province, are as follows: 1) Granting loans on favorable terms to communes and brigades. The loans may be returned within 1 to 3 years with interest. 2) Opening trust business. The provincial and Lanzhou Municipal branches have decided to open two trust companies in Lanzhou Municipality. 3) Relaxing restrictions on granting loans. 4) Improving the management of cash. 5) Encouraging people and individual economy households to open bank accounts. [SK300132 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 25 Sep 80]

ANHUI FINANCIAL EXPERIMENT--Hefei, 20 Sep (XINHUA)--Remarkable economic results have been achieved by nine counties in Anhui Province selected for an experiment under which these counties are responsible for their financial revenues and expenditures. During the first 8 months, the 9 counties' revenue increased 9.33 percent over the same period last year, which was significantly higher than the provincial average of 2.4 percent, and their expenditure was 18.54 percent lower than the same period last year. Under the new system, these counties are allowed to increase their expenditure while their revenue increases and to retain the surplus of their budgets, based on the 1979 budgets with certain necessary adjustments, and will not be subsidized in case of deficit. Consequently all these counties' nonproductive expenses, for meetings, telephone calls, journals, utilities and travelling have been drastically reduced. [OW291127 Beijing XINHUA Domestic Service in Chinese 1135 GMT 20 Sep 80]

CSO: 4006

HUBEI PROVINCIAL CONFERENCE ON COAL INDUSTRY

HK050754 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 30 Sep 80

[Summary] Recently, the Hubei Provincial Coal Industry Bureau convened a coal work conference to sum up the experiences and lessons in coal industry and unify understanding on coal exploitation in Hubei. They proposed a practical policy to exploit the richer coal mines and to advance at a steady speed.

"There are two different opinions concerning the coal industry in Hubei. Some think that major energy can be devoted to developing this industry to make Hubei self-sufficient in coal, while others think that buying coal from elsewhere is better than extracting it at home, and that it is better to rely on coal supply from other provinces. The course of the coal industry in Hubei has not been smooth, because of differences of opinion. Around 1958 and 1970, there were two ventures for major coal exploitation. Due to the influence of the ultraleftist line and the organization of mass movements, natural and economic laws were neglected. There was shocking waste in the course of construction."

The conference held: The two opinions are both one-sided. "Because of the limited coal sources in the province and the uneven distribution of coal mines, it is insufficient to rely merely on local coal mines to meet the province's energy needs. However, coal is the principal energy source in our country, while Hubei is seriously short of coal. Exploiting local coal resources plays an important role in supplying coal to levelop industry and for people's daily life, especially for some isolated mountainous areas." Although Hubei does not have satisfactory conditions for coal exploitation, in the long run, it is still economical to develop the coal industry. The conference agreed to develop mines with relatively good conditions and look after the existing mines well. Mines with particularly poor conditions are to be closed.

During the conference, Vice Governor Zhang Jinxian listened to the opinions voiced and confirmed the guiding principles for the province's coal industry.

CSO: 4006

BRIEFS

JIANGXI POWER INDUSTRY--Nanchang, 19 Sep (XINHUA)--Jiangxi's power industrial departments have effectively used locally produced low-quality coal for power generation by renovating boilers originally designed to burn good-quality coal. Before renovation, the boilers were known for excessive coal consumption and unsteady operation resulting in low voltage in the province's three power grids over a long period of time and seriously affecting the use of electricity in production and daily life. As of the end of last year, 75 percent of the boilers were in good repair, compared with 29 percent prior to renovation. The change has saved thermal power plants more than 600,000 dun of coal. [Beijing XINHUA Domestic Service in Chinese 0310 GMT 19 Sep 80]

SHANDONG LIQUID HYDROGEN PURIFIER--China's first liquid hydrogen demercaptan equipment was installed in the oil refinery of the (Qilu) Petrochemical General Company, Shandong Province. It recently went into production. After the demercaptan process is completed, 90 percent of the mercaptan can be purified, making the liquid hydrogen less corrosive and pungent. [Jinan Shandong Provincial Service in Mandarin 1100 GMT 27 Sep 80]

ZHEJIANG POWER OUTPUT--Zhejiang's electricity departments generated 4.88 billion kwh of electricity during the first 8 months of the year, over 43 percent higher than the same period last year. During the same period, 100,000 dun of coal was conserved. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 27 Sep 80]

SHANGHAI NEW GENERATOR--Another 125,000-kw turbogenerator built by the (Minhang) Power Plant was put in operation on 25 September. It is a key power project this year jointly sponsored by the Ministry of Electric Power and the Shanghai Municipality. The entire project took only 6 1/2 months. It has increased the state's total power output by over 200 million kwh. [Shanghai City Service in Mandarin 1130 GMT 27 Sep 80]

TIANJIN ELECTRICITY CHARGES--Electricity rates in Tianjin Municipality are to be reduced 6 percent beginning in October. The reduced rate of per kwh of electricity is 16 fen. The decision was adopted at the Eighth Standing Committee session of the Tianjin Municipal Government. [Tianjin City Service in Mandarin 0030 GMT 1 Oct 80]

SHANGHAI FAR INFRARED TECHNIQUE--Shanghai, 4 Oct (XINHUA)--Last year Shanghai conserved 130 million kwh of electricity by using the FAR infrared ray technique in heating. The technique has been further popularized this year, resulting in an electricity saving from January through August equivalent to the total amount of electricity conserved last year. The technique is easy to apply; all that is needed is to coat a certain part of the electric heating device with a FAR infrared ray radiation paint or to make some modifications on the heating device. [Beijing XINHUA Domestic Service in Chinese 0126 GMT 4 Oct 80 OW]

BEIJING SOLAR ENERGY DEVELOPMENT--Beijing, 26 Sep (XINHUA)--A new sunlight-absorbing tube and its installation device which can make full use of solar energy in all seasons have been developed by Qinghua University in coordination with the Beijing electronic tube factory and the Beijing glassware mill. Made of glass, the tube and the installation device are an advance over sunlight-absorbing panels which cannot make full use of solar energy during half of the year. The new device can be used in heating, refrigeration, air conditioning, desalination of seawater and low-temperature power generation. Tests show that the tube is up to world standards in terms of its performance in absorbing sunlight. After exposure to the sun's rays for 3 to 4 hours in an environment at 10 degrees below zero centigrade, the water in the device boils; 35.6 percent of the solar energy of the day can be turned into heat energy. Freezing test shows that when placed in an environment at 15 degrees below zero centigrade after exposure to the sun's rays, the tube does not freeze within 11 hours. [Text] [Beijing XINHUA in English 1219 GMT 26 Sep 80 OW]

POWER OUTPUT--China generated 221.8 billion kWh of electricity in the first 9 months of 1980, an increase of 8.6 percent over the same period last year, and representing 76.5 percent of the 1980 power output plan. [Beijing Domestic Service in Mandarin 1200 GMT 30 Sep 80 OW]

ZHEJIANG PREFECTURE HYDROELECTRIC POWER--Ningbo Prefecture, Zhejiang, makes headway in popularizing small hydroelectric power plants. As of now, the prefecture has 350 small hydroelectric power stations with installed capacity of 31,000 kilowatts. They generated 48 million kWh of electricity last year and 42 million kWh in the first 8 months of 1980. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 10 Sep 80]

CSO: 4006

BRIEFS

GANSU PRECIOUS METALS ENTERPRISE--Lanzhou, 5 Oct (XINHUA)--China's leading nickel and precious metals producer, the Jinchuan Nonferrous Metals Company in Gansu Province, fulfilled its 1980 output targets for platinum, palladium and other precious metals in 8 months. By the end of August, it also met 73 percent of the year's plan for electrolytic nickel. The company currently produces 11 metals from mineral ores--nickel, copper, cobalt, platinum, palladium, cesium, iridium, rhodium, ruthenium, gold and silver. Most of these metals are valuable ores. Resistant to both abrasion and high heat, they are used widely in the most advanced areas of science and technology as well as in high-precision meters and machine-building. [Beijing XINHUA in English 0228 GMT 5 Oct 80 OW]

CSO: 4020

BRIEFS

CIRCULAR ON SHOE PRODUCTION--Beijing, 19 Sep (XINHUA)--Recently the Ministry of Light Industry and the Ministry of Commerce issued a joint circular urging all shoe factories to earnestly accept the masses' opinions and produce sufficient quantities of shoes of all varieties and sizes to meet the peopie's needs. The two ministries called on all manufacturers and sellers of shoes to cooperate with each other, lower production costs, make smaller profits in order to sell more shoes, properly solve the question of profit sharing and to promote the proportionate production of shoes. [OW221449 Beijing XINHUA Domestic Service in Chinese 0732 GMT 29 Sep 80 OW]

SHANDONG FIRST LIGHT INDUSTRY--The first light industrial departments of Shandong Province have fully exploited their strong points to develop brewery, papermaking and the watch, ceramics, cigarette, sewing machine and bicycle manufacturing industries, scoring fairly good results. The total industrial output value of the province's first light industry for 1979 showed an increase of 10 percent over that of 1978. The total output value for the first 8 months of 1980 registered an increase of 21 percent over the corresponding 1979 period. Profits of state enterprises increased more than 50 percent over the corresponding 1979 period. Profits of state enterprises increased more than 50 percent over the corresponding 1979 period. [SK300200 Jinan Shandong Provincial Service in Mandarin 2300 GMT 27 Sep 80 SK]

HENAN JOINT VENTURE--Zhengzhou, 26 Sep (XINHUA)--The Luoyang Bearing Industry Combined Corporation--the first joint venture incorporating central and local enterprises on China's machinery industry front--was established on 25 September. Formed by amalgamation of the Luoyang bearing plant of the First Ministry of Machine Building and 23 locally owned factories in Henan Province, the new corporation has some 8,300 pieces of machinery and equipment and 25,000 workers and staff members. It is capable of making bearings of more than 3,400 different specifications, from the smallest bearing with an inside diameter of 10 millimeters to the largest one which measures some 4 meters in outside diameter. Bearings with special properties can also be made to order to meet national defense, scientific research and other requirements. According to its production capacity, the corporation will produce up to 15 percent of the bearings required in the country. [Beijing XINHUA Domestic Service in Chinese 1241 GMT 26 Sep 80 OW]

SHANGHAI INDUSTRY, TRANSPORT--In the third quarter of 1980, Shanghai overcame difficulties caused by high temperatures, excessive rains and raw material shortage and achieved good results in industrial production and transport. Its total industrial output value in the third quarter increased by 6.9 percent as compared with last year's corresponding period. In the third quarter, Shanghai habor workers loaded and unloaded more goods while the mariners handled more freight. Efforts were made by various industries to increase the variety of their products. [Shanghai City Service in Mandarin 1130 GMT 6 Oct 80 OW]

BEIJING MACHINE-TOOL COMPETITION--Beijing, 26 Sep (XINHUA)--Some 150 of Beijing's young machine tool operators went into battle here today in the last round of a competition aimed at encouraging high technical skill. Sponsored by the trade union and the Communist Youth League of the Beijing Machine Building Bureau and open to machine tool operators under age 28, the competition includes lathe turning, milling, planing, drilling, grinding and benchwork. The competition is being held in two large workshops lined with rows of machines at the Beijing No 1 machine tool plant. The 3-day competition followed selective trials last month by some 210 enterprises under the machine building bureau. Most of the competitors came in first or second in the preliminaries. A third of the 120,000 workers in the factories and companies attached to the bureau are young workers. Similar technical competitions among young workers will be held by over 1,000 enterprises attached to the Beijing Bureau of Metallurgical Industry and some 20 other industrial bureaus in Beijing next month. [OW291341 Beijing XINHUA in English 1229 GMT 26 Sep 80 OW]

INDUSTRIAL NEWS--Beijing, October 3 (XINHUA)--The Shanghai No 1 Knitwear Mill, known abroad for its good quality knitted goods, has set up 21 satellite factories in the city's urban neighborhoods and suburban communes and brigades in the past year to augment the production of its 400 workers. It provides the factories with material and equipment and technical guidance. The communes and brigades and urban neighborhoods supply labor and put up the buildings. More than 98 per cent of the products of these factories are up to standard. In the January-August period, the mill exported more than one million pieces of knitted goods. It is estimated that the mill will double its turnover to the state this year. The Changchuan air compressor factory exported more than 800 small and miniature air compressors in the first nine months of this year. It is expected that the figure will exceed 1,000 by the end of the year, an increase of 2.5-fold, compared with the 1979 amount. The factory has concentrated engineering and technical personnel in the past two years on new products. Four types of efficient, low-noise compressors that consume less electricity have been manufactured and exported in large numbers. Of the 12 products turned out by the factory, ten are for export. [Text] [OW030806 Beijing XINHUA in English 0759 GMT 3 Oct 80]

SHANGHAI PETROCHEMICAL PLANT--The Shanghai Petrochemical Plant uses petroleum as raw material to turn out synthetic fiber and plastic materials. Since its completion in 1976, it has turned in 1.65 billion yuan to the state, equal to 98.8 percent of the amount of money which the state has invested in completing the first stage of the construction projects. During the past 3 years, the plant has turned out more than 220,000 dun of synthetic fiber. Its total production value in the past 3 years has reached 4 billion yuan. [Shanghai City Service in Mandarin 2300 GMT 26 Sep 80]

CHANGCHUN AUTOMOBILE COMPANY--Changchun, September 24 (XINHUA)--The Changchun No. 1 Motor Vehicle Plant has recently formed a joint management company with 38 factories in 21 provinces, municipalities and autonomous regions, which assemble motor vehicles using the chassis of the plant's "Liberation" truck. The new combine will produce such products as dump trucks, refrigerator trucks, fire engines, cranes, forklift trucks, sanitation sprinkler trucks, oil tankers, buses and trolley buses. The "Liberation" truck is one of the major motor vehicles produced in China. The combined output of these assembled vehicles turned out by the 38 plants this year make up 57 per cent of the vehicles using the chassis of the "Liberation" truck. This newly established company will solve problems in production, management and long-term development and produce a "Liberation" series of better quality motor vehicles. A joint management committee has been elected for the company and preliminary arrangement has been made to start business. [Text] [Beijing XINHUA in English 0238 GMT 24 Sep 80 OW]

HEILONGJIANG CEMENT TRANSFER STATION--A cement transfer station was constructed recently in Harbin Municipality, Heilongjiang Province. It is composed of four tube-shaped depositories with a total capacity of 4,000 tons and is expected to transfer 160,000 to 170,000 tons of cement per year. Upon its completion, it will save 4.7 million yuan cement transportation expenses annually. [SK260703 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 24 Sep 80 SK]

CSO: 4006

BRIEFS

CAPITAL CONSTRUCTION INVESTMENT--Beijing, 21 Sep--China's 30 large and medium-sized capital construction projects are now financed by bank loans instead of government appropriations, and this new investment method has produced fairly good economic results. The 30 items include 20 projects for power industry and 10 projects for textile industry. The total bank loans amount to approximately 2.8 billion yuan. [Beijing XINHUA Domestic Service in Chinese 0237 GMT 21 Sep 80 OW]

HOUSE BUYING, CONSTRUCTION--Beijing, 26 Sep (XINHUA)--Two methods to solve the people's housing problem are allowing individuals to buy houses and encouraging the masses to raise funds to build houses collectively. Now work in this regard has begun in 20 provinces, municipalities and autonomous regions, including Shaanxi, Guangxi, Liaoning, Hebei, Beijing, Shanghai, Fujian, Guangdong, Jiangsu, Sichuan, Zhejiang, Gansu and Yunnan. To solicit individual house buyers, Xian Municipality of Shaanxi Province has made every effort to keep the per-square-meter construction cost within some 100 yuan and has allowed buyers to make payment by installments--the maximum payment period being 15 years and the interest rate ranging from 1 to 2 percent per annum. In Wuxi Municipality, Jiangsu Province, apartments with a total floor space of some 20,000 square meters will be constructed this year with funds raised by the masses. [Beijing XINHUA Domestic Service in Chinese 0124 GMT 26 Sep 80 OW]

NEI MONGGOL HOUSING CONSTRUCTION--Hohhot municipal people's government has earnestly handled the motions raised by the municipal congress deputies on hastening urban construction. By the end of August, of the 162,000 square meters of floor space planned to be built, 33,000 square meters have been completed. These residential buildings will be able to house some 3,000 families. The municipal people's government has also alloted funds to build water pipes. It is expected that by the end of 1980 about 75 percent of the households will have a piped water supply. So far this year the government organ has built 15 asphalt roads and 7 cement roads and repaired 5 rough, muddy roads, 140,000 square meters in all. [SK021115 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 30 Sep 80 SK]

SHAANXI CONSTRUCTION PROJECTS CUTS--Conscientiously working to reduce capital construction, the Shaanxi provincial people's government recently decided, after completing a survey and study, to suspend or delay the construction of 36 large projects each with a budget of over 1 million yuan. Last July a capital construction inspection team was sent to various prefectures, municipalities and departments in the province to investigate in particular 90 large, locally built projects, each with a budget of over 1 million yuan. The recent decision to suspend or delay the construction of the first group of the 36 projects will cut a total of 110 million yuan in expenditures. For example, over 1 million yuan has been invested in the construction of the (Yudonghe) hydroelectric engineering project in Zhenba Municipality during the past 10 years, but only half the project has been completed. At the current pace it will take another 10 years to complete. Therefore, it has been decided to delay construction of the project. The Shaanxi provincial leading group for reviewing capital construction projects will inspect locally built capital construction projects in turn and take firm measures to scale down those that should be suspended or delayed so as to concentrate financial and material resources to complete projects that are urgent. [Text] [OW291111 Beijing Domestic Service in Mandarin 1200 GMT 28 Sep 80]

SHENYANG HOUSING CONSTRUCTION--By the end of August, Shenyang Municipality, Liaoning Province, had completed housing construction totaling 400,000 square meters in floor space. [SK250958 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 23 Sep 80 SK]

CSO: 4006

BRIEFS

SHANDONG URBAN-RURAL MARKETS--Urban and rural markets have been brisk throughout Shandong Province this year and many manufactured goods, which originally were rationed in limited amounts, have now been supplied openly and without limits. From January through August, the total commodity volume procured by the commercial, supply and marketing departments throughout the province increased by 13 percent; the total commodity marketing volume increased by 15 percent and the amount of commodities purchased from other provinces increased by 38 percent as compared with the same 1979 period. In addition, 102 trade centers were established throughout the province. Their purchasing and marketing volume has reached 16 million yuan this year. [SK200951 Jinan Shandong Provincial Service in Mandarin 2300 GMT 19 Sep 80]

LIAONING TRADE FAIRS--Serving as farm and sideline products trade centers, trade fairs in urban and rural areas throughout Liaoning Province have been increased to 816 by now. Between January and August, the volume of business at these fairs was 356.9 million yuan, 66.8 percent higher than in the same period of 1979. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 25 Sep 80]

SHANDONG COUNTRY FAIR TRADE--Country fair trade is booming in Shandong Province. The volume of business in the first 8 months of this year reached 1.34 billion yuan, which is equal to 75 percent of the total volume in 1979. Transactions of farm produce, including grain, cereal oil, pork, mutton, beef, eggs, aquatic products, vegetables and fruits, account for 8.5 percent of the total business volume of the same kind of products marketed by urban state commercial departments. By the end of August, the prices of rice, wheat, pork, cereal oil, eggs, cabbages and apples were reduced by 2.9 percent on average in comparison to the corresponding 1979 period. Prices of some of the commodities are lower than the prices on state markets. [SK021124 Jinan Shandong Provincial Service in Mandarin 2300 GMT 30 Sep 80]

NATIONAL MINORITY GOODS CONFERENCE--Changsha, 21 Sep--A national conference on production and supply of special goods for minority nationalities was recently held in Changsha Municipality, Hunan. Of the 50 major items which are specially needed by minority nationalities, the production plans for 36 items were either fulfilled or overfulfilled in the first half of 1980. Some 65 delegates of 19 nationalities were invited to attend the conference. In accordance with their opinions and demands, the conference has readjusted production plans, increased new varieties and decided to add 35 major items for minority nationalities. The conference, which was jointly called by the ministries of light industry, textile industry and commerce and the general supply-marketing cooperative, was held from 8 to 12 September. [Beijing XINHUA Domestic Service in Chinese 0202 GMT 21 Sep 80 OW]

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BRIEFS

RARE-EARTH COMPANY EXPANSION--Baotou, 18 Sep--The China Rare-Earth Company located in Baotou is expanding its trade relations with foreign countries in order to export more of its products. Exports in the January-August period increased 3 percent compared with the total exports registered last year. The company has established trade relations and signed export contracts with some 20 countries including Japan, the United States, Britain, France, West Germany, Italy and others since the beginning of 1980. [Beijing XINHUA Domestic Service in Chinese 0151 GMT 18 Sep 80 OW]

QINGHAI EXPORT GOODS PROCUREMENT--Xining, 28 Sep (XINHUA)--Qinghai Province overfulfilled this year's state procurement quota of goods for export by 4.4 percent at a date 4 months ahead of schedule. The total worth of the goods procured was 74.27 percent more than the same period of last year. This year the Qinghai provincial cereal, oil and food import and export branch company has devoted great efforts to the export of live cattle. By the end of August, the company had exported 2,951 head of live cattle to Hong Kong. This item alone added some 1.12 million yuan to the income of communes, production brigades and masses. [Beijing XINHUA Domestic Service in Chinese 0143 GMT 28 Sep 80 OW]

CSO: 4006

LABOR AND WAGES

SHANDONG ALLOCATES FUNDS TO IMPROVE LIVING STANDARDS

SK021230 Jinan Shandong Provincial Service in Mandarin 2300 GMT 1 Oct 80

[Summary] Shandong Province has increased funds to improve the people's standard of living. In 1979, funds used to increase the income of peasants, staff and workers increased by 700 million yuan over the 1978 figure. In the first 8 months of 1980, an additional 520 million yuan was allocated for this purpose. Since the beginning of 1979, our province has raised the purchasing prices of some farm and sideline produce and has decided to set higher prices for the grain, cotton and oil-bearing seeds purchased above the quotas. For this purpose alone, a subsidy of 600 million yuan was funded last year. Each peasant received an average subsidy of 9.15 yuan. About 80,000 provincial production teams whose average food grain distributions are less than 365 jin and whose income is below 40 yuan are exempted from agricultural taxes. The average income accruing to each peasant in 1979 was 81.5 yuan, an increase of 11.1 yuan over that in 1978.

Since 1979 our province has promoted 40 percent of the staff and workers and has properly readjusted their wages. Funds to subsidize primary and middle school teachers and medical personnel in 1979 totaled 190 million yuan more than in the previous year. In the first 8 months of 1980, an additional 150 million yuan was allocated for this purpose. Funds allocated for capital construction in the province in 1979, including urban construction, residential buildings, schools, hospitals and theaters, increased by more than 77 percent over the 1978 figure. New residential buildings with a total floor space of 3.64 million square meters were built. The number of college students and secondary vocational school students increased by 39,000; hospital beds, by 5,000; and medical personnel, by 14,000.

CSO: 4006

LABOR AND WAGES

JILIN CONVENES EMPLOYMENT WORK CONFERENCE

SK041000 Changchun Jilin Provincial Service in Mandarin 2200 GMT 2 Oct 80

[Excerpts] According to JILIN RIBAO, the Jilin Provincial CCP Committee and people's government recently held a provincial work conference on labor employment. At the conference, participants heard all useful ideas, held an extensive discussion and made many suggestions on doing a good job in conducting the urban labor employment work in accordance with the spirit of the directives of the CCP Central Committee and the State Council and in line with the actual situation in the province.

The following suggestions were adopted at the conference:

1. It is necessary to vigorously develop various collective enterprises, which should assume sole responsibility for their profits or losses.

2. It is necessary to enthusiastically support youths awaiting work to run cooperative enterprises by grouping together voluntarily to raise funds. These cooperative enterprises should be placed on an equal footing with other enterprises. No department, unit or individual is allowed to find any excuse to encroach on the interests of these cooperative enterprises.

3. Continuous efforts should be made to develop collective enterprises run by the government organs in charge of the economy, urban districts and neighborhood and labor service companies. In principle, the collective enterprises should be managed by those who operate them. This does not change their subordinate relation. Departments in charge of the economy should give professional guidance and support to them.

4. Hereafter, in the fields of labor planning, labor management, wages welfare and labor protection, all enterprises of collective ownership should be treated equally. As long as they are operated independently, conduct business accounting independently, assume sole responsibility for their profits or losses and have a business license, all collective enterprises deserve equal treatment in these fields. The wage and welfare scale of collective enterprises should be set through democratic

consultations, according to their earned profits and public revenue and in line with the principle of "to each according to his work." The scale may be lower or higher than that of state enterprises. It also may be equivalent to that of state-run enterprises.

5. It is necessary to actively develop collectively owned plants and production teams, agricultural sideline production bases and agriculture-industry-commerce joint enterprises which recruit their workers mainly among educated youths.

6. It is necessary to encourage educated youth to go to the countryside and the frontiers. A technical and managerial training should be provided for them in advance. A contract system may be applied in their job arrangement. The status of their family register and rations should remain unchanged.

7. Various localities and departments should support and assist the development of the urban individual economy. Under no condition should we allow anyone to cause difficulties and to discriminate against individual businesses.

8. The provincial people's government should enact concrete regulations on youth labor employment, such as in the fields of household register, rations, tax revenue, funds and loans. These regulations should be enacted immediately.

In addition to these suggestions, the conference held an enthusiastic discussion on ways to solve problems of settling educated youth in the countryside, developing labor-intensive enterprises, improving the system of worker recruitment and working hours, adopting measures for conducting education among staff members and workers, opening more avenues for workers' study to train more exports for the program to achieve the four modernizations, vigorously developing labor service companies, managing and appropriating expenditures for placing jobless youths and strengthening the party's leadership over the work of labor employment.

CSO: 4006

'JILIN RIBAO' ARTICLE VIEWS EMPLOYMENT ISSUE

SK040714 Changchun Jilin Provincial Service in Mandarin 2200 GMT 2 Oct 80

[3 October JILIN RIBAO commentator's article: "Heighten Understanding and Open All Avenues to Employment"]

[Excerpt] The employment issue is a major task of the whole party and the whole people. Last year party committees and governments at all levels in our province worked to emancipate minds, readjust policies, open all avenues for production, vigorously develop the urban and rural collective economies and find jobs for over 400,000 persons. In 1980 little progress has been made in this work. By the end of August, only 100,000 persons had been hired, significantly below the annual target.

The main reason for this is that some leading comrades have become depressed and discouraged. Some believe too many people are unemployed and that few jobs are available. They believe existing enterprises and establishments are fully staffed and can do no additional hiring.

This is not true. Our province has many favorable conditions in both the urban and rural areas. In rural areas, uninhabited mountainous areas, grasslands and forests can be utilized. In urban areas, many production and service units cannot hire enough workers. The catering and service trades and the handicraft, construction and building materials industries have many job openings.

The key is for the leading comrades to overcome their discouragement, rely on the masses and enhance their confidence. Only by so doing can ways be found to solve the unemployment problem. With readjustments and reforms of the economic system and the labor system, there will be more job opportunities in the future.

CSO: 4006

BRIEFS

ANHUI EMPLOYMENT CONFERENCE--The Anhui Provincial CCP Committee held a provincial conference on labor employment 22-27 September. The conference pointed out that in the past 3 years and more the province provided jobs for 514,000 people. Since last year more than 390,000 youths in urban areas were provided with jobs. As a result, 80 percent of the urban youths who had remained jobless prior to 1979 now have jobs. Gu Zhuoxin, secretary of the provincial CCP committee, addressed the conference. Vice Governor Guo Tixiang relayed the guidelines of the national conference on labor employment. The conference was presided over by (Yuan Zhen), member of the provincial CCP committee's Standing committee. [OW051131 Hefei Anhui Provincial Service in Mandarin 1100 GMT 2 Oct 80 OW]

HEILONGJIANG UNEMPLOYED YOUTHS--Tieli Forestry Bureau, Heilongjiang Province, has established many collectively owned plants to place youths awaiting work and to develop forestry resources. Since 1977 this bureau has offered jobs to some 9,200 youths. In 1979 the output value of these plants run by the educated youths accounted for one-third of the bureau's total output value. [SK021107 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 28 Sep 80 SK]

SHANDONG EMPLOYMENT CONFERENCE--According to our sources, the Shandong provincial party committee and the provincial people's government recently held a work conference on labor employment in Jinan Municipality. The conference relayed the guidelines of the national labor employment work conference sponsored by the party Central Committee, exchanged experiences on assigning jobs for the unemployed in urban and rural areas and discussed measures in this regard. After summing up our achievements and analyzing our problems in employment work, the conference noted: To solve the unemployment problem, it is necessary to emancipate minds, ease policy restrictions, reform the present economic, labor and education systems, open all avenues for production, employment and study, and break with the old convention that all labor forces in urban and rural areas are arranged by the state. In accordance with the unified state plan and in accordance with the leadership's and the party Central Committee's principles for employment, it is necessary to encourage and

help the unemployed to run individually owned business or to find jobs by themselves. [Excerpt] [SK050520 Jinan Shandong Provincial Service in Mandarin 2300 GMT 2 Oct 80]

ZHEJIANG TRADE UNION CONFERENCE--The Zhejiang Provincial Trade Union Council held a provincial conference on trade union work from 15 to 22 September. Those in attendance maintained that trade unions, while educating the workers to assist their enterprises to carry out reforms, must also oppose bureaucracy. They said that some enterprises and undertakings have infringed upon the workers' democratic rights and material benefits, and that some enterprises have only stressed fulfillment of production quotas but paid no attention to workers' safety and health. It said that trade unions must struggle against bureaucracy and bravely play a supervisory role. The meeting also maintained that trade unions must also be work organizations of workers' congresses to defend workers' democratic rights and material benefits. Li Fengping, secretary of the provincial party committee, addressed the meeting. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 25 Sep 80 OW]

WORKERS' SANATORIUMS, REST HOMES--Beijing, September 23 (XINHUA)--China's trade unions now have a total of 126 workers' sanatoriums and rest homes with 27,000 beds. More than 100,000 workers have gone to them in the past year and more, Sun Changlin, deputy director of the labor insurance department under the All-China Federation of Trade Unions, said here today. Sanatoriums and rest homes run by large and medium-sized enterprises themselves are not included and make up a much larger number. During the ten chaotic years 1966-1976, workers' sanatoriums and rest homes were closed, because the gang of four called them hotbeds of revisionism. They reopened after the fall of the gang. More than half of the sanatoriums are for the treatment of arthritis, chronic digestive and respiratory diseases and other chronic disorders. There are also sanatoriums for specific occupational diseases and hepatitis. Most open all the year round. Occupational patients, and chronic patients and workers with eight years of employment receive free medical care and get full pay and a subsidy from the state for the enriched food and their fare. Most of sanatoriums are located in scenic resorts with a good climate, including West Lake in Hangzhou, Taihu Lake in Jiangsu, and Beidaihe in Hebei Province. Sanatoriums organize visits to places of historical interest and cultural troupes put on performances and film shows. [Text] [OW230734 Beijing XINHUA in English 0724 GMT 23 Sep 80]

CSO: 4006

TRANSPORTATION

INTERVIEW WITH VICE MINISTER OF TRANSPORTATION

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese 11 Jun 80 pp 2-3

[Article: "How To Modernize Our Country's Communications and Transportation; Our Reporter Interviews China's Ministry of Communications First Vice Minister, Peng Deqing [1756 1795 3237]"]

[Text] The first vice minister of China's Ministry of Communications said recently that we are in the process of taking steps for the more rapid development of highway, water, and long-distance ocean transportation in order to build a communications and transportation system commensurate with the growth in industrial and agricultural production.

The decade of the 1980's is a key 10 years in the growth of China's national economy. The vice minister disclosed that China's Ministry of Communications wants to move ahead from 3 years of readjustment in an effort to strengthen three systems that are at the center of transportation--namely, the ocean transport system, the highway system, and the inland waterways system--to give them a complete, dovetailed, and coherent transportation capacity so as to be able to meet the basic requirements for the growth of the national economy.

Vice Minister Peng Deqing made these remarks in the course of a special interview by this publication's reporters about how China can modernize its communications and transportation.

Accelerated Harbor Construction Is an Urgent Current Task

He said that at the present time, communications and transportation are still the weak links in the national economy. The capacity of our harbors, the condition of navigation channels, the quantity and quality of our highways, and the numbers and types of our vehicles and ships are still incapable of meeting the requirements of a modernized national economy. As our national economy grows, the amount of goods transported in foreign trade is bound to increase greatly; therefore, accelerated harbor construction has already become an urgent current task.

At the present time, China's principal harbors are at Dalian, Yingkou, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Shanghai, Ningbo (including Zhenhai), Shantou, Huangpu, Zhanjiang, Haikou, Basuo, Sanyan, Fuzhou, and Xiamen, where there are more than 300 anchorages, of which 133 are deepwater anchorages. When these are added to the piers used by cargo owners, total cargo-handling capacity has increased from somewhat over 8 million tons right after the founding of the People's Republic to more than 200 million tons. The vice minister disclosed that as foreign trade develops, the cargo-handling capacity of coastal ports will more than double by 1990, and new construction of deepwater anchorages will also have more than doubled.

During this period, the emphasis in harbor construction will be on:

1. Construction and operation of the more than 60 10,000-ton anchorages presently being constructed;

2. Technical improvements to the 10,000-ton anchorages at the petroleum piers at Dalian, the salt piers at Tianjin and Lianyungang, and the Qingdao and Shanghai coal piers;

3. Acceleration of construction at the five big harbors of Qinhuangdao, Tianjin, Lianyungang, Shanghai, and Huangpu; and development of new harbor areas at Yingkou and Shihjiusuo. Construction should be particularly accelerated on the container piers at Shanghai, Tianjin, and Huangpu harbors, and at the coal piers at Qinhuangdao and Shihjiusuo.

The dryland construction project that is part of the two-stage engineering to be done at the coal pier at Qinhuangdao, which is located on the western shore of Bohai Bay in eastern Hebei Province, is already underway. This engineering project will have two 50,000-ton anchorages which will be completed in 1985. This is a major port chiefly for the export of crude oil and coal from the coast of north China. Once the project has been completed, it will have an annual loading and unloading capacity of 20 million tons of coal. In order to meet the current urgent needs in the export of coal, the No 8 pier in this harbor is now undergoing technical improvements. Once completed, this pier's coal-handling capacity will be increased many times over.

Preparatory work for construction of the Shijiusuo harbor in Shandong Province is being pushed, and it is estimated that construction there will begin in 1981. Shijiusuo is located between Lianyunjiang and Qingdao on the Yellow Sea, where the water is deep, the coastline is stable, and geological conditions are good. The 10,000-ton coal pier and the 10,000-ton ore anchorage to be built there are for meeting the needs of Shandong and Shanxi in the export of their coal, and for importing iron ore. The construction project for the Beilunshan 100,000-ton ore pier and coal pier anchorage to serve Baogang will be completed on time.

Continue To Build Up Vehicular and Ship Transportation Capacity

He said that it is necessary to continue to build up vehicular and ship transportation capacity. At the present time, our country's merchant fleet is of a fixed size. The more than 40 million tons of freight it hauled last year accounted for more than 70 percent of the freight volume hauled from our shores in sailings to 416 ports in 100 countries and regions. However, this did not meet the constant increase in foreign trade. Not only are the numbers of our ships insufficient, but the different kinds of ships do not meet requirements. He said that we must build a large merchant fleet, and our goal should be a 100-percent increase both in the number of ships and their tonnage after a certain number of years. Additional ships are also needed on the Yangtze River main artery, and an increase is also needed in both passenger and cargo vehicles. In the attainment of these objectives, the principal method must be reliance on domestic shipbuilding and vehicle manufacture, but this does not rule out the purchase from abroad of ships suitable for use in our country.

We must also actively extend the use of advanced methods of transportation, such as international containerized shipments, batch shipments, and loose shipments. Several years from now, we will construct nine anchorages in excess of 10,000 tons at containerized piers in Tianjin, Shanghai, and Huangpu. Qingdao and Dalian harbors are preparing to renovate piers for containerization. Shanghai presently has one container anchorage, and once rebuilding is completed in 1982, its handling capacity will have increased more than threefold over the present. By 1985, Tianjin harbor will have three anchorages after rebuilding and new construction. By 1985, our country's containerized-cargo piers will have a handling capacity 10 times greater than at present.

In addition to the construction of new anchorages and the refurbishment of old anchorages for containerized cargo, one of the most important things we must do is to find ways to tap unused potential in order to further increase our shipping capacity.

He said that containerization is also growing. The results have been good from China's containerized shipments to Australia. Now experiments are underway with containerized shipments at Shanghai, Tianjin, Qingdao, and Huangpu harbors. There are now containerized cargo lines to the United States and Canada, to the Persian Gulf, the Mediterranean, northwestern Europe, and Hong Kong. In the future we shall be adding specialized ships for containerized shipments, improving integrated facilities for containerized shipments, and expanding the containerized cargo shipping routes, gradually forming a containerized shipment system that is quite complete.

Peng Deqing also said that we are currently thinking of ways of using various means to solve the problem of funds for the construction of harbors and ship fleets.

In discussing the buildup in inland water transportation, the vice minister pointed out that in order to meet the requirements for opening ports to foreign trade, technical improvements are being made to the harbors at Chongqing, Wuhan, Jiujiang, Wuhu, and Nanjing, with major construction underway at Nanjing harbor. At Zhenjiang and Nantonggang, deepwater anchorages have been newly constructed to create conditions for oceangoing vessels to tie up and load and unload cargoes. Following the removal of shoals that are blocking navigation in shipping lanes and improvements in the navigability at the mouth of the Yangtze River, 10,000-ton seagoing ships will be able to reach Nanjing all year round, and 1,000-ton barges will be able to go all the way to Chongqing.

Increased construction is needed on the Beijing-Hangzhou Canal, the Huai River, and the Xijiang to meet the needs of transporting coal from Xuzhou, Yanzhou, and north and south of the Huai River to Shanghai, Ningbo, Hangzhou, and various places along the coast, and for the shipment of Guizhou coal and Yunnan phosphate rock to Guangdong and Guangxi.

The vice minister also spoke of efforts to improve the backward state of our country's highways. He disclosed that as of the end of last year, there were 890,000 kilometers of highways nationwide, and there were only two counties in the entire country not traversed by highways. More than 90 percent of all communes in the country were served by motor vehicles. Within 10 years there should be capital construction of a 100,000-kilometer national arterial highway network in which first- and second-class highways will form the backbone. This [network] will connect the capital at Beijing with the capital of every province, municipality, and autonomous region, with large cities having a population of more than 300,000 people, with major industrial bases, and with major harbors in coastal areas. Additionally, along major stretches of some highways, high-speed highways or first-class highways will be constructed. Such stretches might include the ones from Guangzhou to Shenchuan, or from Beijing to Tianjin and Tanggu, or from Nanjing to Hangzhou.

The Present Situation in Communications and Transportation, and Means of Modernization

The vice minister spoke to the correspondents with satisfaction about the continuing development and the excellent situation on the communications battlefront during the past 2 years. He said that in 1978, the volume of goods shipped by local motor vehicles and motorized barges amounted to more than 790 million tons, which was more than a 12-percent increase over 1977. In 1979, the quantity of cargo hauled was more than 809 million tons, a 1.5-percent increase over 1978. The amount of cargo handled in ports during 1978 amounted to more than 280 million tons, an increase of 26.5 percent over 1977. In 1979, the amount of port cargo handled amounted to more than 298 million tons, a 5.7-percent increase over 1978, for the highest level ever recorded. Of the total, Shanghai port during 1978 handled 79.55 million tons; during 1979 it handled 83.5 million tons, for an increase of

5 percent. Tianjin port handled 11.31 million tons in 1978 and 12.7 million tons in 1979, for a 12.3 percent increase. The port at Qinhuangdao handled 22.19 million tons in 1978 and 24.08 million tons in 1979, for an 8.5-percent increase. Huangpu port handled 10.5 million tons in 1978 and 12.11 tons in 1979, a 15.3-percent increase. Dalian port handled 28.64 million tons in 1978 and 31.48 million tons in 1979, a 9.9-percent increase. In 1979, newly built and enlarged ports and newly added handling capacity accounted for more than 9.4 million tons.

During the past 2 years, Chinese communications departments have also striven to develop exports and imports. The Chinese Oceangoing Shipping Company not only completed its shipping tasks in foreign trade, but also started a charter business in ships, organizing joint companies with foreign shipping circles to engage in exporting. Water transportation industries also produced freighters, tugs, and barges for export, and undertook repairs of foreign ships and the processing of materials from abroad. Last year the "China Highways and Bridges Engineering Company" was set up to undertake overseas engineering projects. It made very gratifying accomplishments. Peng Deqing said that these accomplishments fully demonstrated the complete correctness of the program for readjustment of the national economy decided upon by the CCP Central Committee and the State Council. However, as a result of the 10 years of havoc played by Lin Biao and the "gang of four," which had extremely serious consequences for Chinese communications and transportation, there is no use supposing that all of the problems in the communications battleline can be solved within 1 or 2 years. It must be pointed out, moreover, that only if there is continued adherence to the readjustment program decided upon by the Central Committee will a good foundation be laid for the modernization of communications and transportation.

Vice Minister Peng Deqing also spoke about the issue of the modernization of Chinese-style communications and transportation. He pointed out that the modernization of communications and transportation requires, first of all, that transportation capacity achieve the levels suited to modernization. Second, in the modernization of communications and transportation, there has to be a definite level of transportation conditions and transportation techniques. Our transportation techniques are very backward, in comparison with those of industrially advanced countries. Technical improvements must be made in order to gradually build up the level. Land, air, and underground transportation has to be interrelated in a network that extends in all directions. Advanced technical equipment and a pervasive institution of advanced transportation methods must be incorporated into a transportation system that satisfies the needs of the socialist four modernizations. Third, there must be a level of management and various kinds of complementary facilities that are commensurate with transportation capabilities and steady improvement in transportation conditions and transportation techniques in order to build a truly integrated transportation capability. In short, communications and transportation must continually develop in the task of completing the four modernizations in order to complete its own modernized construction.

In conclusion, he said that while undertaking the modernization of communications and transportation, the state would have to introduce some advanced technical equipment from abroad; however, the spirit of self-reliance and of building an enterprise through arduous effort was most important, with reliance on the masses to tap potential in a big way, to make innovations, and to improve and expand transportation capabilities and gradually raise the level of modernization.

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CSO: 4006

FOUR CITIES TO GET DIRECT AIR SERVICE TO HONG KONG

Beijing RENMIN RIBAO in Chinese 14 Jun 80 p 1

[Article by Yu Quanfu [0358 3123 4395]: "Shanghai, Tianjin, Hangzhou, and Guangzhou Open Air Routes to Hong Kong"]

[Text] China Airlines plans to formally open regularly scheduled air service to Hong Kong from Shanghai, Tianjin, Hangzhou, and Guangzhou.

Nonstop scheduled flights from Shanghai to Hong Kong are due to begin formally on 21 June. This route, which is 1,354 kilometers long, will be flown by China Airlines using Trident passenger aircraft, and by Hong Kong Cathay Pacific Airways using Boeing 707 passenger aircraft. China Airlines will fly six return flights weekly, and Cathay Pacific Airways will fly two. The oneway flight time is 2 hours.

The routes from Tianjin to Hong Kong, Hangzhou to Hong Kong, and Guangzhou to Hong Kong will be open in July.

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MISMANAGEMENT OF HIGHWAY FUNDS MUST BE STOPPED

Beijing GONGLU [HIGHWAYS] in Chinese No 1, 25 Jan 80 pp 34-37

[Report by Highway Maintenance Group, Highway Bureau, Ministry of Communications: "The Status of the National Work Symposium on the Use and Management of Highway Maintenance Funds"]

[Text] In order to strengthen the work on the use and management of highway maintenance funds and to give full scope to the effect of this allocation of capital, the Ministry of Communications convened a national work symposium on the use and management of highway maintenance funds. [The symposium was held] in Luda Municipality, Liaoning Province, from 9 to 15 September 1979. Attending the symposium were leaders and comrades in charge of financial affairs and planning work from the highway departments of various provinces, municipalities, and autonomous regions, and delegates from scientific research and design units and schools of higher learning directly under the Ministry of Communications, and also from the Ministry of Finance--114 persons altogether. The Highway Bureau and the Financial Affairs Bureau of the Ministry of Communications jointly sponsored this symposium. At the symposium responsible person Liu Yugeng [0491 3768 2577] of the Highway Bureau conveyed the spirit of the directive of the party group at the Ministry of Communications on how to hold a good symposium at this time, and this gave the delegates great inspiration. They all considered that, in the midst of the feverish tide engendered in the country by the earnest implementation of the eight-character policy of readjusting the national economy and the development of the campaign to increase production and practice economy, it was very important and timely for the Ministry of Communications to convene this symposium especially [to consider how] to do a good job of collecting, managing, and using highway maintenance funds. This is an important measure in carrying out the policy of tapping potential resources and in renovating and transforming the highway and communications front. Once this is grasped well, it is bound to further promote the development of highway undertakings.

Around its central theme, the symposium broadly exchanged information and experiences, studied the major problems that exist, discussed the

"Regulation Concerning the Collection and Use of Highway Maintenance Funds" jointly promulgated by the State Planning Commission, the Ministry of Communications, the Ministry of Finance, and the People's Bank of China, unified pertinent thinking, and proposed a series of ideas and specific measures for improvement. In addition, it brought about an exchange of opinions on questions such as the development of highway maintenance mechanization and the acceleration of highway technology transformation. After the symposium, delegates went to advanced units in highway maintenance, such as the highway maintenance sector of Zhuanghe County and the Jinshandao crew of Xinjin County in Liaoning Province, to visit and study.

The symposium pointed out: Following the principle of "maintaining highways with revenues from the highways" by collecting highway maintenance fees from various vehicles and using them to maintain the highways and improve and upgrade technical conditions on the highways, this was an important economic policy that was set forth by the party and the state in the early days following liberation. The practice of the past 30 years proves that this policy has been correct, and it has played a great role in promoting the development of the highway projects. At present, the state puts out very little investment for highway construction each year; the amount can only be used to fund certain national defense and border defense highway construction projects. As for the improving and upgrading existing highways, such as additional paving of roadways, rebuilding wooden bridges and dangerous bridges, changing fords to bridges, upgrading highways, and subsidizing local administrations to build county and commune highways, etc, these all depend on highway maintenance funds for their expenditures and the contribution of civilian construction labor for their completion. When our state was first founded, only 75,000 kilometers of highways in the country were barely passable for vehicles; more than one-third of the country's counties were not reached by highways. But by the end of 1978, the country's highway mileage open to traffic already amounted to more than 890,000 kilometers--an increase of 11 times the figure in the early days following liberation. Of this figure, paved highways increased 20-fold over those in the early days after liberation, and blacktop highways increased by 450 times over those in the early days following liberation. There are now more than 3 million meters of permanent highway bridges, the overwhelming majority of which have been built with highway maintenance funds. Today, more than 90 percent of the total number of people's communes in all but two counties throughout the country have highways leading to other counties. Such great accomplishments in highway undertakings fully illustrate the function of highway maintenance funds. They also demonstrate how very important it is to do a good job of collecting, managing, and using this allocation of capital.

Allocating to reflections in various localities, not a few serious problems really exist in the collection, management, and use of highway maintenance funds today. Most salient is the fact that the extent of use to

which highway maintenance funds are applied is not strictly controlled, and random allocations of highway maintenance funds [for other purposes] continue to be a seriously devious practice. According to incomplete statistics, during each of the several recent years such diverted highway maintenance funds amounted to 40-50 million yuan. Some of these funds were used to build new local railroads, harbors, and bus terminals, some to purchase trucks for truck transport companies or for industries not related to highway maintenance, and some to construct office buildings for communication bureaus. Still other funds were laterally transferred to other units, in the name of supporting agriculture or assisting light industry. In a word, such random allocations were made in all sorts of forms and with all sorts of excuses, in total disregard of state regulations. With respect to the collection of highway maintenance funds, on the one hand there were cases of units which failed to make payments for vehicles according to regulations, which randomly owed such payments, which made smaller payments than required, and which omitted some payments; on the other hand there were also cases of collecting units being lax in their control, or even of ignoring the regulations and procedures of examination and approval by making decisions at random on collecting less or refraining from collecting, thus leading to many uncalled-for losses. Improper measures have also been adopted in the handling of disbursement of the highway maintenance funds. For example, some localities have excessively increased their investment for rebuilding projects and thus squeezed a part of the funds intended for regular maintenance and for emergency flood-damage repair work; this has caused highway conditions to deteriorate and affected traffic flow. Some localities have paid insufficient attention to "overall maintenance" and hence failed to provide subsidies where subsidies were needed with respect to certain county and commune roads; this has caused laxity in maintenance. Some provinces, on the other hand, have chosen to charge to highway maintenance funds all or large parts of subsidies for the construction of new county and commune roads which should have been disbursed by investment in capital construction and agricultural surtaxes. Apart from these instances, problems in planning and in financial practices--such as loose control, lack of strict economic accounting, extravagance and waste, and "eating from the common pot"--have remained unsolved for a long time, and the resultant losses have likewise been shocking. Problems of this sort in the use and management of highway maintenance funds, of course, have stemmed mainly from the interference and sabotage of Lin Biao and the "gang of four" during the past 10 years and more, from the severely pernicious influence of anarchism, and from the ignoring of existing regulations and self-centered operations, but they also have had to do with the fact that the departments in charge have failed to grasp their work closely, have not made a penetrating investigation and study, and have failed to propose practical and feasible solutions in a timely manner. With respect to this situation, we must adopt resolute measures to effect changes quickly.

The symposium pointed out: Although there has been a great change in the prospect for our highways over the past 30 years, they remain still rather backward and far from suited, comparatively speaking, to the needs of the development of various undertakings in our economy, national defense, and culture. In terms of quantity, the density of our highways is only one-fifth that of India; in particular, the standard and quality of these highways are low. At present, there are still more than 300,000 kilometers of highways in the country which cannot remain open to traffic under all weather conditions; the mileage of blacktop roads makes up only 16 percent of the total mileage, there are still more than 110,000 meters of dangerous bridges urgently awaiting rebuilding, and more than 700 fords are in need of being bridged. Especially on highways on the outskirts of large and medium-size cities, the situation of crowding and mutually blocking vehicles has become increasingly serious. Therefore, we must follow the call made by Premier Hua Guofeng in his Report on the Work of the Government to the Second Session of the Fifth National People's Congress by "endeavoring to rebuild existing highways while actively building new highways." In view of the fact that, over the years, the mount of investment the state has put into highway construction has been very limited, the need for capital to rebuild existing highways must still be solved by our reliance on highway maintenance funds. But the revenue from highway maintenance funds is also limited, and therefore we must carefully carry out the principles of readjustment, restructuring, consolidation, and improvement; insist on the policy of maintaining the highways with revenue from the highways, using specially allocated funds only for specially designated work, plus civilian contribution of labor for construction and public assistance to civilian-initiated projects; develop campaigns to increase production and practice economy in a deepening way; do a good job of collecting, managing, and using our highway maintenance funds; broaden the sources of income and economize on expenditures; carry out overall planning and allround considerations; and make rational arrangements so as to give scope to our limited capital for greater effect. For this reason, we must strive to achieve the following items of work:

(1) Strengthen our fund-collecting work and collect every levy due, without omission.

We must gradually eliminate the approach of setting up booths everywhere to stop vehicles and collect levies, and generally put into effect the method of entrusting the collecting to banks. This way, not only can procedures be simplified and omissions be reduced, but convenience can be extended to units with vehicles, and transportation efficiency can be raised. Along with the change in our fund-collecting approach, it is still better to let the highway departments directly handle the collecting work. Supervisory departments must take the initiative to coordinate with them by providing in a timely manner the necessary information on vehicle charges and by helping them to check for missed collections.

Because of the change in the extent of taxation caused by the new system of collection, many units with vehicles will be involved. Therefore, we must do a good job of propaganda, select experimental points before the end of the year, and make various preparations, so as to carry it out next year. Meanwhile, we must educate the fund-collecting personnel, strengthen their sense of responsibility at work, resolutely prevent the pocketing of public funds and the playing of tricks, and close off loopholes of various kinds.

(2) Insist on the principle of "maintaining the highways with revenue from the highways and using specially allocated funds for specially designated work."

We must strictly control the extent of use [of such funds] and resolutely prevent devious allocations, random use, and all practices of extravagance. From now on, all expenses that should not be disbursed by highway maintenance funds are not to be paid therefrom. Those who take advantage of their position and power, resort to such random allocations, and hence exceed the proper extent of use are to be punished as a violation of financial and economic discipline according to the regulations prescribed in the "Directive Concerning the Strengthening of Highway Maintenance and Management Work" issued by the Central Committee of the Chinese Communist Party and the State Council in 1962.

Concerning the question of providing subsidies for the construction of county and commune roads, the symposium held that, according to directives set forth by the State Council, the construction of new county and commune roads should adopt the method of civilian contribution of labor to the construction and public assistance to civilian-initiated projects. The source of the public assistance portion should mainly be funds from agricultural surtaxes, but efforts should also be made to gain investments from financial and concerned departments at various levels. Henceforth we should continue to insist on these directives. In the case of places facing real difficulties, we may, on the basis of need and feasibility, provide part of the necessary subsidies from highway maintenance funds, but projects to be subsidized must be specifically listed, and the ratio of such subsidies in relation to the total disbursement of highway maintenance funds must also be subject to control in order to guarantee that maintenance and improvement work on existing highways is not affected.

(3) Reform the existing system and make rational arrangements.

In the past, special organs devoted to highway maintenance were sent down from one level to another and hence were overdispersed; readjustment and reform are in order. Most delegates were of the opinion that the highway management system should still insist on the principle of unified leadership and delegated management. But some delegates also thought that it would be better to have the highway management system unified under the

province. In view of the fact that conditions remain quite different in the various regions, a rigid directive was not issued for the time being. But authority over the manpower, financial, and material resources of these special organs devoted to highways should be grasped by the province, so as to make preparations for transition toward specialized management.

We must strengthen our planning management and rationally arrange our investment ratio. The symposium was of the opinion that highway maintenance work should resolutely carry out the policy of "overall maintenance, strengthening of management, uniform planning, and active improvement." In arranging investments, we should follow the principle of "guaranteeing the key points and taking care of the general situation" by paying attention first to the trunklines and then to the branchlines--first getting the goods through the busy lines and then handling those on the ordinary lines. On the premise of first meeting the disbursement needs of minor repairs and maintenance, large and medium repairs, and emergency flood-damage repairs, and other necessary disbursement needs, we must actively arrange certain rebuilding projects, raise the technical condition of the highways, and guarantee the continued improvement of highway conditions in a planned way. But rebuilding projects must be planned comprehensively; survey, design, and construction budgets must be prepared well; and the projects must then be carried out one after another according to such plans and budgets. At present, we should take truck highways leading into and out of large and medium-size cities as the key points of our rebuilding operations; at the same time, we must endeavor to reduce all engineering costs involved. Delegates were consistently of the opinion that the proportion of expenses for highway maintenance work should be about 80 percent of the total disbursement of highway maintenance funds. Along with the increase in the amount of traffic, the allocation of highway maintenance funds for medium and minor repairs per annum per kilometer should also be increased correspondingly, so as to insure that highway conditions do not deteriorate. Funds for emergency flood-damage repair should be set aside in advance, according to the average level of various localities over the years. We must protect the solemnity of the maintenance plans and not resort to random changes of plans already approved or handle unplanned projects at random.

We must faithfully carry out the principle of "more work, more reward." Some districts have restored the method of "a few fixes, a few guarantees, and one award" which had been practiced with good results in the early 1960's and proceeded to give awards to highway construction/maintenance teams with overfulfillment records; this is correct. Various districts should follow the state's relevant directives, adopt the characteristics of the highway maintenance departments, and grant such overfulfillment awards and savings awards on an experimental basis. The symposium held that, in setting the conditions for such awards, highway maintenance departments must give quality prime importance and then

examine other targets according to the overall situation. The source of such award funds at present consists mainly of a tithe drawn according to the total sum of wages, but this can be raised experimentally by encouraging the practice of economy and setting aside a portion of the resultant savings. When award funds are distributed, we should prevent the tendency toward egalitarianism, and we should even more carefully avoid turning them into additional wages.

(4) Strengthen economic accounting and unify the country's highway maintenance accounting system.

The symposium earnestly discussed "An Accounting System for Highway Maintenance Units" (discussion draft). After the discussion, all those attending agreed that highway maintenance business units must carry out economic accounting according to the principle of managing the economy by economic means and must put a premium on economic results.

In order to do a good job of implementing the new accounting system, various localities must complete the relevant preparatory work before the end of this year. In the main, they must do a good job of making clear their assets and auditing their investments, find out what they have, and approve an amount of liquid capital. They must ascertain and approve their fixed asset depreciation rate and formulate ways of using and managing their depreciation funds in order to achieve planned revenues and planned disbursements and special allocations for special uses. They must establish and strengthen basic accounting and auditing tasks, such as original entries and statistics; strengthen the financial and accounting organs in highway maintenance units and internal auditing units at the various levels; augment their financial and accounting personnel; and seriously carry out the State Council's "Regulations Governing the Duties and Power of Accounting Personnel."

(5) Earnestly grasp well the task of training economic and technical management personnel.

The various localities must quickly adopt various ways to train financial and accounting, statistical, machinery and equipment management, engineering, and technical personnel. They must invite back old professional personnel and engineering and technical personnel who were persecuted by the "gang of four" and who changed their trades, place them in appropriate work and teaching posts, enable them to develop their specialties, and raise as soon as possible a group of talented people who are capable of shouldering various kinds of work, thus changing as soon as possible the present state whereby one generation of business and technical personnel is not able to take over from another generation. As for leading cadres at various levels, apart from their studying at their work posts, each province must create [the proper] conditions, put them through rotational training during different periods and in different groups, and gradually convert them from novices to experts.

The symposium was of the opinion that the tasks we face are heavy and complicated. We must insist on practice as the only criterion for testing truth, break down superstitions, emancipate our thinking, further rectify our ideological line, closely unite around the party Central Committee headed by Comrade Hua Guofeng, work on the four modernizations with one mind and a common effort, and make the contributions we should make in order to rapidly change the backward outlook of our highways and communications and to meet the needs for the development of our national economy and the construction of our national defense!

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COORDINATION LACKING IN GUANGZHOU HIGHWAY CONSTRUCTION

Guangzhou NANFANG RIBAO in Chinese 2 Jul 80 p 1

[Article by reporter He Shaoying [0149 1421 5391]: "Why Are Some Roads in Guangzhou Always Impassable?"]

[Text] Everywhere in Guangzhou you can see roads that are dug full of holes, with mud piled up all around. On some sections of Xiangqun Road, Dongfeng Second Road, Dongfeng Fifth Road, Nanan Highway, Nanchang Road, and Shuijungangheng Highway, dust flies all over the place in nice weather and there is a sea of mud when it rains, making it difficult for pedestrians to walk, requiring vehicles to detour, and blocking traffic. This is a municipal construction matter that needs improvement.

Along with the rapid growth of agricultural production and of enterprises engaged in communications and transportation, the expansion of construction, the repair and maintenance of roads, the installation of new water and sewer pipes, the installation of underground communications equipment, the replacement of old pipes and wires with new ones, and the ripping up of streets are understandable. Nowadays, however, many streets are dug up and construction projects begun without any unified leadership or unified plans. Each unit goes about its individual project with no communication with any other unit, so that on the same street it often happens that while someone is filling in a hole in the east, somebody else is digging another one in the west, and the digging and filling in, filling in and digging goes on incessantly, leaving the streets humpy and bumpy. On Dongfeng Second Road, for instance, a highway company built a rather long stretch of road with some effort, managing to complete the widening project by 5 June. But as soon as this nice wide new boulevard appeared before the people's eyes, the Guangzhou Municipal Electric Communications Bureau showed up and started digging anew in order to put down a conduit for some underground communications equipment. Another case occurred on Xiangqun Road in Henan District, where an engineering company of the municipal government had just completed construction lasting several months. No sooner were water conduits installed and the road surface restored when the Municipal Electric Communications Bureau showed up and started digging to bury an underground cable. As a result, this major traffic artery in

Haizhu District has been all torn up ever since last year. Such disorderly construction, with repeated digging and filling in, is so often seen that it is not new. This not only causes a lot of wasted materials, funds, and manpower, but also impedes traffic and transportation, with inconvenience for the masses of people.

In constructing a road, the normal sequence is to put water pipes and sewer pipes underground first, and then to put down the roadbed and a temporary road surface, after which the road surface is constructed, with a permanent surface being applied in the final stage. Therefore, it is suggested that a unified special organization with authority be set up for unified administration of municipal construction and public utilities in order to gradually bring about rational planning in the construction and excavation of roads. This [organization] would also be responsible for unified investment, unified designing, unified construction, and unified management. During the time of construction, every effort should be made both to bury pipes and wires and to build the road in a single operation once and for all. Additionally, in the interest of the overall situation, concerned units should closely coordinate in a joint effort to build and maintain roads.

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BEIJING SUBWAY CONSTRUCTION PROGRESS REPORT

Beijing BEIJING RIBAO in Chinese 23 May 80 p 1

[Article by Yang Zhenghao [2799 2973 6275] and Ke Shuishen [2688 3055 3088]: "Construction and Track Laying Completed On Second Line and Main Line of Subway; Commander of Capital Construction Engineering Troops Giving Intense Attention To Fitting Out Subway and Installing Equipment So That Western Line Will Be Open to Traffic Within the Year"]

[Text] Construction of the second line and the main line of the Beijing subway has been completed, and tracklaying on the main line has been completely finished. The commander of the Beijing detachment of the capital construction troops responsible for construction is giving intense attention to fitting out the second line and installing facilities in fulfillment of the four recommendations of the Central Committee Secretariat on Beijing municipal work programs. He is determined to open service on the west line of the subway within the year. The northeast line is undergoing debugging of operations.

Line two of the subway starts at the Beijing railroad station and proceeds via Jianguomen, Chaoyangmen, the Worker's Gymnasium, Dongzhimen, Yonghe Palace, Andingmen, the Drum Tower, Jishuitan, Xizhimen, Chegongzhuang, Fouchengmen, and Fuxingmen, for a total of 12 stations and a distance of 16.1 kilometers. Work began on the second line in March 1971. Because of the high level of protection required, the large number of underground stations and connecting stations, and the need for removal of numerous structures throughout the city, plus the disturbance and destruction caused by Lin Biao and the "gang of four" which created uncertainties about investment, and inadequate materials, this project could not be completed quickly. Once the "gang of four" was smashed, state investment gradually increased over the years in order to hasten construction of the subway. During 1978 and 1979, in particular, annual investment amounted to more than 100 million yuan, which was twice the investment during 1976. This created the conditions for getting going and going all out. For the commander of the two divisions engaged in combat, 8 years have been like a day. He has labored arduously to create an enterprise, continuously doing battle, and constantly hastening the pace of construction. At the present

time, 87 percent of the total work needed on the second line has been completed. They are now in process of fitting out and installing facilities in its 12 stations. In six of these stations, work is virtually complete. Construction of the second line has been at a greater depth than earlier construction. It has a thicker roof, its ability to withstand bombs is greater, and it is more water resistant. Following transmittal of the four recommendations from the Central Committee Secretariat, the Beijing Command of the Capital Construction Engineering Troops immediately held an urgent project meeting to study and implement the measures in which it was proposed to guarantee the opening to service of the western line of the subway within the year, and the debugging of the northeast line to get rid of operational problems. In order to assure that this target is reached, the command set up a line service leadership group to which it transferred troops. Each detachment instituted two shifts and three shifts, which has greatly hastened progress on the project.

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TRANSPORTATION MANAGEMENT NEEDS STRENGTHENING

Guangzhou NANFANG RIBAO in Chinese 3 Jul 80 p 2

[Article by reporters Xu Jindan [6079 6855 0030] and Lo Yuchao [5012 5940 3390]: "Competition Is Necessary, But So Is Strengthening of Management." Installment 2 of a Report on the Communications and Transportation Front]

[Text] Both a railroad and a highway connect Guangzhou with Foshan. Transportation is quite well developed, and the volume of travelers is also quite large, amounting to about 10,000 people on a normal day. On holidays, it is as many as 40,000 or 50,000. During holidays, buses are inadequate and frequently overloaded. A single bus may frequently carry as many as 80 or 90 people. This is both unsafe and a hardship on the people. The masses say that they are riding in a "tincan vehicle." This, plus a poor attitude in providing service, means great inconvenience for travelers. Usually it is impossible to buy a ticket for the next bus. After standing in line to buy a ticket, it is necessary to wait another 1 or 2 hours before boarding a bus. Guangzhou and Foshan are only 20 kilometers apart, but sometimes it takes 3 or 4 hours to get from one to the other. If one goes by train, it is necessary to take the ferry across the river to Shiweitang, where the railroad station is located, and this is very inconvenient. Railroad station facilities are also antiquated. There are no canopies, so when passengers embark or disembark from trains they are subjected to the burning sun or to downpours of rain. There are few seats on the trains, and the floors of the coaches are often wet, so passengers cannot sit down if they want to. The masses complain, saying: "The railroad station handles us like cattle!" Just before and after the lunar new year this year, when a dramatic increase in passengers occured and when units responsible for running the trains could not meet the demand, in order to increase their income the Foshan Municipal Bus Company and the Guangzhou Municipal Streetcar Company used idle cars on this route to open direct service between Foshan and Guangzhou. Thus, transportation between Guangzhou and Foshan, which had been monopolized heretofore by the Guangzhou Railroad Branch Bureau and the Foshan Prefectural Bus Station (with a fleet of 201 buses) became a multiple operation in which competition took place.

As a result, travel between Guangzhou and Foshan has become much more convenient. Where formerly there had been no scheduled through service, now

there are more than 100 scheduled trips each day. Additionally, at the ancestral temple in Foshan and at Shiwan, where there are many passengers, a stop has been placed so that passengers can board as soon as they arrive. The trip from Guangzhou to Foshan usually requires no more than 40 to 50 minutes, and the attitude of the drivers and conductors is good. They help the old along and they carry the young, in a show of complete concern that the masses applaud. As a result of the competition, the former passenger service between Guangzhou and Foshan has improved its bus stations in Foshan Prefecture, has increased the number of bus stops, and has put on more buses. Competition, however, has brought some new problems. As a result of regulations from state units concerned, both highway and city transportation is divided between different transportation units. Now, because these boundaries have been destroyed, there is some chaos in the management of transportation. There have been struggles for territory between the drivers and conductors of different units on the Guangzhou-Foshan route. They fight over customers, quarrel, and beat each other, and there have been cases in which buses have purposely squeezed against buses while in motion. In addition, the blind dispatching of vehicles by mutually competing units, and the high rate of deadheaded vehicles has produced great waste in both transportation resources and fuel. Formerly, the daily number of passengers carried (one way) at the Foshan railroad station was about 8,000 people, but as more buses were added, the number of railroad passengers greatly declined. After the lunar new year, the daily decline averaged 2,000 people, and on some days there were only several hundred passengers.

The battle on the Guangzhou-Foshan line has made people think deeply and has raised a question for them. This question is whether or not there should be competition in transportation. In the past there was a strict division of labor in transportation, with each being operated independently throughout the country no matter how well or how badly. This helped the growth of an attitude of "bureaucratic transportation" with which the masses were dissatisfied. Therefore, a little competition within transportation units was helpful in promoting improvements in the quality of service, and we should be a little broad-minded about this. Of course, with competition new problems became inevitable. Leadership organizations should further strengthen their leadership, so that when problems crop up they are promptly studied and resolved. One cannot give up eating for fear of choking. Secondly, what is competition for? It has to be made clear that the primary objective of competition is to better accomodate the masses and to keep in mind doing a good job in whatever position one occupies. Of course, while giving good service, one cannot keep units concerned from making a reasonable profit. Therefore, every transportation unit should be determined to do a good job within his own sphere of responsibility. In the case of the Guangzhou Municipal Streetcar Company, which is responsible primarily for passenger transportation within Guangzhou itself, passenger transportation within the city is presently still rather hectic. Passengers are very crowded, and the masses have a lot of complaints. Consequently, those responsible for passenger transportation within Guangzhou should

concentrate their efforts, first of all, on doing a good job of municipal passenger transportation. They should not try to compete on the Guangzhou-Foshan route simply to make a profit and gain prize money. When it comes to struggles over territory, arguing and fighting over passengers, and paying no attention to safety as everyone competes, these constitute a complete departure from the object of socialist competition and are the way capitalist operators act. This is not to be allowed at any time. The third [question] is how to compete? Nowadays many industrial enterprises run combined operations, because combination permits taking advantage of long points while avoiding shortcomings. Can transportation units run combined operations too? For example, in addition to its responsibility for interurban passenger transportation, why shouldn't the Foshan Municipal Bus Company use its surplus buses for combined operation with the Foshan Prefectural Bus Station, with the profit being split between the two? Wouldn't this be a little better? In short, these problems merit study. Transportation, like every other unit, must, if it is to meet the needs of the four modernizations, make improvements in its organization, and there must be great improvements in its way of doing business. It can neither be unified to death, as it was in the past, nor be freed to become chaotic--and once chaotic, be closed down.

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WORK ON BEIJING-GUANGZHOU RAILROAD DEVELOPMENT CONTINUES

Guangzhou NANFANG RIBAO in Chinese 28 May 80 p 1

[Article by Xie Yifang [6200 0153 5364], Li Dinglai [7812 0002 0171], and He Shaoying [0149 1421 5391]: "Hengyang-Guangzhou Multiple Tracking Project on the Beijing-Guangzhou Railroad Partly Underway in a Linkup of Our Country's Great North-South Transportation Artery"]

[Text] Multiple tracking on the southern section of the Beijing-Guangzhou railroad from Hengzhou to Guangzhou, which is a great transportation artery linking our country's north and south, has entered a feverish stage of surveying, designing, and the formal beginning of active construction on a portion of the line. The multiple tracking project of the Hengyang-Guangzhou line is gradually moving from north to south. Engineering within Hunan Province has been fully underway for a long time. Work in our province for the expansion of the Pingshi railroad station, work preparatory to construction of a long tunnel through Dayao Mountain, preparatory work for construction of a section between Lechang and Shaoguan, and survey and design work on the Shaoguan-Guangzhou section are proceeding smoothly and have achieved heartening results.

Since there is as yet no multiple tracking of the southern section of the Beijing-Guangzhou railroad from Hengyang to Guangzhou, the number of trains that can pass over the line is quite low, with the result that much freight headed south or going north piles up at both ends. Multiple tracking will increase severalfold the transportation capacity of the Beijing-Guangzhou rail line. This possesses tremendous significance for the promotion of our country's foreign trade and for the travel of foreign friends, as well as for the hastening of the four modernizations in our country and our province. In 1978, the state formally made a major engineering plan of the multiple tracking of the Hengyang-Guangzhou portion of the Beijing-Guangzhou railroad and decided to complete it within a fairly short period of time.

In the multiple tracking of the Hengyang-Guangzhou line, the main section within Guangdong Province runs from Pingshi to Lechang. This stretch is located in the mountains of the southern range, which are crisscrossed with

ravines and steep slopes. The mountains are high, the vegetation is thick, the forests are dense, the ground strata are complex, and the environment is exceedingly difficult. It is here that 14 tunnels, large and small, totaling 23 kilometers in length, are to be built, as well as 14 bridges, large and small, totaling more than 1,900 meters in length. Of the tunnels, the Dayao Mountain tunnel, which will be 14.3 kilometers long, will be the longest multiple-track tunnel in our country. Here, in the dangerous topography at the foot of the Jinji range at Pingshi, long-range planning calls for construction of 11 railroad sidings as turnaround points. It is planned to renovate the line's existing "wandu zhijing" [possibly, variance diameter] which is too small, making it meet the standards for the multiple tracking of the Beijing-Guangzhou railroad. The freight line at the existing Pingshi railroad station is to be upgraded to that of a train arrival and departure line, with a newly constructed passenger waiting room, an overpass across the tracks, and transportation culverts.

The units currently responsible for enlarging the Pingshi railroad station are the No 1 engineering section of the Capital Construction Department of the Guangzhou Railway Bureau, workers from the Provincial Cubic Meter of Earth and Stone Mechanized Construction Company, and laborers from Lechang and Dongguan counties. They have been working for more than 2 years to level mountains and fill in ravines, build bridges, and construct roads. They have already leveled the tops of 13 mountains to complete the first phase of the expansion of the Pingshi railroad station. Long, brand-new rail lines and a tall structure with many rooms, as well as a broad railroad platform and warehouses, now come into view.

Responsibility for the Pingshi-Lechang tunnel and the bridge and culvert projects rests with advanced industrial units throughout the country that have learned from Daqing. The third engineering department as well as the first and second engineering departments of the Tunnel Bureau of the Ministry of Railroads are also responsible. Construction personnel have been arriving at the worksite in a steady stream, and they have now joined the battle to level the mountains and divert the streams.

More than 40 miles of construction roads have been constructed in preparation to begin construction on the tunnels, and more than 50,000 square meters of both temporary and permanent housing have been built. Two diesel engine electric power plants with a total capacity of more than 6,000 kilowatts have been put up, and 35 kilometers of high-voltage lines have been strung. Communications lines run for 187.9 paired kilometers. Additionally, employees of the Fourth Engineering Department of the Fifth Engineering Bureau of the Ministry of Railroads have begun feverish preparatory work for construction at Lechang and Shaoguan. The Fourth Design Institute of Ministry of Railroads, and the First, Fourth, and Ninth Composite Units are now in the process of survey and design work at Shaoguan and Guangzhou. The Electrification Projects Bureau of the Ministry of Railroads is conducting checks along the right of way so that, simultaneous with the multiple tracking, preparations can be made to undertake electrification projects.

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CSO: 4006

ROADBUILDING MACHINERY COMMISSION HOLDS FIRST MEETING

Beijing GONGLU [HIGHWAYS] in Chinese No 1, 25 Jan 80 p 1

[Abridged report by Zhang Hongquan [1728 1347 0356]: "Establishment of Special Commission on Roadbuilding Machinery Within the China Highway Associaton"]

[Text] A Special Roadbuilding Machinery Commission has been established within the China Highway Association. Its first meeting was convened in Changsha from 5 to 10 November 1979. Attending this meeting were all the members of the commission, some of the council members of the Highway Association, and invited experts, professors, engineers and delegates from concerned organs, factories, schools, science and technology units, designing units, publication units, and the like--80 persons altogether.

The participants at the meeting discussed and studied plans for future academic exchange activities, told of the developing situation concerning roadpaving machinery, earthmoving machinery, and drilling machinery and equipment in foreign countries, and showed scientific and technological films. They also placed emphasis on summing up and exchanging domestic experience with respect to highway construction, the management, use, maintenance, repair, and manufacture of highway maintenance machinery, etc; they also inspected, during a visit, the new techniques involved in the installation of the "dingtui shigona" [top panel-shift] of the big bridge at Weishui.

The meeting observed that, in the 30 years since the founding of our state, our roadbuilding machinery, which at first did not exist at all, has gradually been acquired. There have been some developments in quantity and improvements in quality. But compared to what is required to modernize our highway transportation, the gap remains great and the tasks involved are still formidable. From now on, we must open up as many new sources of financing as possible and mobilize various forces in order to explore, study, and solve the problems arising in the course of mechanization of our roadbuilding operations, sum up our experience in various localities, generally develop academic exchanges, carry out scientific popularization activities, and introduce and learn about advanced technologies in foreign countries, so as to make pertinent contributions in order to more rapidly strengthen our roadbuilding machinery complex and more quickly realize the modernization of our communication and transportation.

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CSO: 4006

CHANGE IN WORKSTYLE IMPROVES GUANGDONG TRANSPORTATION

Guangzhou NANFANG RIBAO in Chinese 2 Jul 80 p 1

[Article by correspondent Wei Guiyi [7614 2710 0001] and reporter Liu Gaohua [0491 7559 5478]: "Overcome the 'Bureaucratic Transportation' Workstyle; Make Communications and Transportation Lively." Installment 1 of a Report on the Communications and Transportation Front]

[Text] One major task of communications and transportation departments at the moment is to intensify organizational work in transportation, expand their sources of supply, and broaden their avenues for cargoes in order to make transportation lively. The Shiqi Harbor Bureau overcame the "bureaucratic transportation" workstyle of waiting for goods to arrive at their doors, and the leaders acted themselves to intensify organizational work for sources of supply. Their experiences in working to fulfill transportation plans are of general significance and merit adoption by every locale.

The Shiqi Harbor Bureau is a harbor navigation and transportation unit responsible for shipment and transfer of port cargoes. Ever since last spring, when the cargo supply situation changed as a result of readjustments to the national economy and there was an increase in the number of vehicles and boats operated by government organizations, business enterprises, and agricultural units that are in competition for cargoes, a great decline has taken place in the amount of goods they have been called upon to haul. Some boats were unable to fill their holds and were in danger of being unable to fulfill plan. In view of this new situation, the Shiqi Harbor Bureau Party Committee conscientiously analyzed the situation and concluded that readjustments to the national economy were, from an overall standpoint, a good development. The new problems that it occasioned for transportation units required a proper understanding and attitude. The key to the solution of the problem of inadequate sources of cargo supply lay in overcoming a mentality of indifference and a change in the "bureaucratic transportation" workstyle of waiting for cargo to show up at one's door. The leadership of the bureau thereupon transferred six cadres to organize a cargo supply group headed by the leadership to go out and check on activities in the transportation marketplace and gain an understanding of the direction of flow and quantity of flow of cargo sources. They also

took the initiative to act as middlemen between producers and consumers, becoming good advisers and giving full play to the role of communications and transportation as a link in the production process, the circulation process, and the distribution process. Proceeding from the realities in their local area, they placed major emphasis on the following tasks:

Active cooperation with production units to open markets for goods. The crushed stone produced by the Xinwan quarry in Zhongshan County frequently accumulated for lack of markets. When the Shiqi Harbor Bureau found out that the Guangzhou Municipal Residential Construction Company had an urgent need for crushed stone, it sent people to the quarry six or seven times to learn the situation there and actively cooperate in the sale of the product. This spring, the quarry wanted to ship crushed rock to the Guangzhou Municipal Residential Construction Company as part of its planned operations, but since there was no one to load the rock, the shipment plan might well have come to naught. The Shiqi Harbor Bureau immediately dispatched people to the quarry to study the problem with them and to make appropriate increases in remuneration to labor for loading the rock in order to solve the loading problem. As a result, five boatloads of crushed rock were promptly shipped to Guangzhou. Now they haul more than 1,000 tons of crushed rock monthly from the Xinwan quarry to Guangzhou.

Expansion of sources of cargo in foreign trade. During the past year or so, our province has begun to process goods for traders in Hong Kong and Macao, thereby greatly boosting the volume of additional foreign trade. In order to meet the demands of this new development, the Shiqi Harbor Bureau, actively deployed its shipping force, and last year the volume of Hong Kong and Macao goods transported was 27 percent greater than in 1978. This year they have increased their sealift by 500 tons on the Hong Kong-Macao route, and each month they arrange for more than 3,000 tons of capacity for Hong Kong and Macao cargo.

Organization of production, transportation, and marketing in a direct link. Formerly, provincial construction units frequently bought rock from the Zhangjiabian Commune's quarry in Zhongshan County, but since it was not easy for boats to go through the locks at night, the volume hauled each month was slight. Taking note of this situation, the Shiqi Harbor Bureau sent personnel concerned with boats to look into the local navigation situation and to discuss with the commune the possibility of keeping the lock gates open day and night. They also discussed difficulties caused by a shortage of labor for loading the boats. For their own part, they arranged to replace the small boats they had been using to haul rock with barges capable of carrying 120 tons; this also reduced the sailing time. As a result, whatever rock the Zhangjiabian Commune's quarry produced was shipped out at once, and the monthly shipment of rock to Guangzhou rose from the former figure of approximately 1,000 tons to more than 3,000 tons. Production, transportation, and marketing were all satisfied.

Because the Shiqi Harbor Bureau diligently overcame its "bureaucratic transportation" workstyle and did a good job of organizing work for cargo

sources, the volume of cargo shipped during 1979 exceeded the previous year by 10 percent, and 1978 by 13 percent. Profits increased by more than 350,000 yuan over the annual plan. The volume of cargo hauled between January and May this year has fulfilled 45.3 percent of the annual plan and has shown an increase of 8.4 percent over the same period last year. Profits realized during the first 4 months have increased by 44 percent over the same period last year.

In recent years, a shortage of cargo has occurred for both water and highway transportation in our province. What are the transportation units to do? One important thing is to make conscientious changes in management and administration, thoroughly changing the workstyle of "waiting for goods to come to one's door," and "selecting the fat while rejecting the skinny." If everyone did as the Shiqi Harbor Bureau did, with leadership being seriously concerned, providing service to one's door, and truly providing safe, convenient, prompt, cheap, and good-quality service so that both production units and customers would feel "confidence" in the shipping units, they could get more sources of cargo and make transportation lively, while providing a new contribution to the four modernizations.

9432
CSO: 4006

BRIEFS

NEI MONGGOL RAILWAY--Hohhot, 29 Sep (XINHUA)--On 28 September, a unit under the PLA railway corps, which is engaged in building the Tongliao-Huolinhe railway, was laying railway tracks in Zhushihua, which is deep in the Orqin grassland in Nei Monggol and on the verge of the famous Huolinhe coal mine, the largest open coal mine in China. The railway will be used to deliver large machinery equipment to the mine, which is still under construction, and move out its coal. Since last July, the Tongliao-Bayan us railway section in Korqin Right Wing Middle Banner has already been handling passenger and cargo transportation. [Text] [Beijing XINHUA Domestic Service in Chinese 0120 GMT 29 Sep 80 OW]
A railway connecting Tongliao Municipality and Huolinhe open-cut coal mine opened 28 September. Called (Tonghuo), this railway begins from Dadu County, runs through Tongliao Municipality and Horqin Zhoyi Zhong, Jarud and Horqin Youyi Zhong banners and ends at Huolinhe coal mine. With a total track of 400 miles, this railway is built mainly for developing coal resources. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 5 Oct 80 SK]

CSO: 4006

'ECONOMIC REFORM GROUP' VERSUS 'PETROLEUM FACTION'

HK071038 Hong Kong CHENG MING in Chinese No 36, 1 Oct 80 pp 10-14

[Article by Su Chiung: "The Third Cabinet and the Rise and Fall of the Petroleum Faction"]

[Excerpts] The First "Cabinet": The "Petroleum Faction" Gains the Upper Hand

What kind of people are members of the "petroleum faction"?

In analyzing members of the "petroleum faction," we discover this common characteristic: None of them are the factionalist followers of the "gang of four." However, during the Cultural Revolution and particularly during the later stage of the Cultural Revolution, they were all in charge of production and they all wielded real economic power. Because of this, their forces expanded rapidly when the central authorities gave first priority to economic work following the downfall of the "gang of four." Since they were not factionalist followers of the "gang of four," they naturally will not be investigated. Since they have been in charge of production and economy, there is of course ample scope for their abilities.

Judging from the list of members of the State Council announced at the first session of the Fifth NPC, we can see the forces of the "petroleum faction." Of the then 13 vice premiers, 5 to 6 vice premiers were members of the "petroleum faction." At that time, Ji Dengkui, Chen Xilian and Chen Yonggui were regarded as members of the "whatever faction," Xu Xiangqian and others were not in charge of economy and Zhao Ziyang and others were not cabinet members. Therefore, the great majority of the then "cabinet" were members of the "petroleum faction." Moreover, ministers of the three most important commissions of the State Council, namely, the State Planning Commission, the State Economic Commission and the State Capital Construction Commission, were either members of the "petroleum faction" or people who are related to the faction. They were: Yu Qiuli, Kang Shien and Gu Mu.

As a result, during the first 2 years after the downfall of the "gang of four," the "petroleum faction's" economic policy dominated the CCP's economic trend. The 10-year economic plan put forth at the Fifth NPC in the spring of 1978 was a crystallization of the "petroleum faction's" economic policy.

The Second "Cabinet": The Two Sides Are Evenly Matched

To promote economic readjustment, the "cabinet" was reshuffled during the second session of the Fifth NPC which appointed Chen Yun, Bo Yibo, Yao Yilin and Ji Pengfei as vice premiers. Later, the NPC Standing Committee also appointed Zhao Ziyang and Wan Li as vice premiers and dismissed Ji Dengkui and Chen Xilian from their vice premiership.

Compared with the "cabinet" formed during the first session of the Fifth NPC, the number of vice premiers of the second "cabinet" was increased to a total of 18. They were: Deng Xiaoping, Li Xiannian, Xu Xiangqian, Yu Qiuli, Geng Biao, Chen Yonggui, Fang Yi, Wang Zhen, Gu Mu, Kang Shien, Chen Muhua, Wang Renzhong, Chen Yun, Bo Yibo, Yao Yilin, Ji Pengfei, Zhao Ziyang and Wan Li. Of the 18 vice premiers, although some 5 to 6 vice premiers were members of the "petroleum faction," there were also 5 to 6 vice premiers who were members of the "economic reform group" which opposed the "petroleum faction's" economic policy and energetically called for carrying out readjustment and reform. Therefore, with the exception of Chen Yonggui and those vice premiers who were either not in charge of economic affairs or showed no clear intentions, the two sides within the "cabinet" were evenly matched.

With regard to the development of production and construction in Beijing Municipality, there had been a clash between the "economic reform group" and the "petroleum faction."

The Beijing Municipal CCP Committee Contradicts the Central Authorities

Beijing Municipality's No 1 man Lin Hujia is also a member of the "petroleum faction." After he assumed office, to win the masses' favor, he adopted some petty measures to improve the people's livelihood such as establishing food stalls and improving the bus service. After achieving a few successes in this regard, he immediately exerted all his strength to the development of the Beijing municipal heavy industry. The Shoudu [Capital] Iron and Steel Company and the Yanshan Chemical Works (formerly the Dongfanghong Oil Refinery) were his key development targets. Due to the blind development of heavy industry, serious pollution has emerged in Beijing Municipality. The pollution of the atmosphere in Beijing is seven times higher than the international standard and there has been a rapid fall of the city's groundwater level. The central authorities have repeatedly criticized the manner of doing things as carried out by Lin Hujia, stressed the arrangement of priorities in the order of importance of "agriculture-light

industry-heavy industry" and particularly noted that the capital is not suitable for devoting major efforts to the development of heavy industry. However, Lin Hujia did not listen to this and repeatedly contradicted the central authorities. Consequently, RENMIN RIBAO, which inclines toward the "economic reform group," suddenly carried the CCP Central Committee Secretariat's four-point proposal concerning the development of Beijing. According to the four-point proposal, Beijing must become: 1) a model in public security, social order and moral standards for the whole country and one of the best in the world; 2) a first-rate modern city with a fine environment, high standards of afforestation, cleanliness and good sanitation by utilizing the local conditions such as hills, waters, cultural relics and historic sites; 3) the nation's most developed city in culture, science and technology. with the highest educational standard in the country; and 4) a city with a thriving economy, providing its residents with stability in life and all kinds of conveniences.

Judging from this four-point proposal, we can see that what is stressed by the central authorities is that Beijing should be built into a cultural city and not a heavy industrial city. The central authorities hope that Beijing should be the political and cultural center of the nation as well as a center for international exchanges and that it should not be developed into an economic center.

Lin Hujia and others were thrown into a state of extreme passivity following the publication of the four-point proposal. They did not dare to oppose the four-point proposal in words but they felt a repugnance to it. Therefore, in practice, they feigned compliance while acting in opposition. They continued to focus their attention on industry, continued to regard industry as the focus of work and delightfully talked about their efforts to enable the Beijing industrial products and technological and economic norms to attain advanced world levels.

Lin Hujia Constantly Raises Quotas

A recent RENMIN RIBAO commentator's article criticized the Beijing Municipal CCP Committee. The article said: "In implementing the central authorities' four-point principle, we should take a clear-cut stand and decisive actions.... Although some comrades find it difficult to describe the four-point proposal as unimportant, they do not agree with the decision to list the development of heavy industry as an item of secondary importance. They feel that if they do not grasp heavy industry, they 'cannot satisfy their craving.' With this kind of thinking, how can they make up their minds to firmly realize the central authorities' proposal?" The masses in Beijing have also said: "Lin Hujia constantly raises quotas." This means that Lin Hujia wants to constantly raise quotas in heavy industry building and investment.

The differences of opinion between the "petroleum faction" and the "economic reform group" have been exposed clearly.

The Discussion on the Aim of Production--Yu Qiuli Called on and Had a Great Row with Deng Xiaoping

The discussion on the aim of socialist production had caused another big clash between the "economic reform group" and the "petroleum faction."

Around November 1979, RENMIN RIBAO carried a contributing commentator's article which was entitled "It Is Imperative To Gain a Clear Idea of the Aim of Socialist Production" and also carried Yu Guangyuan's article which was entitled "A Talk About Issues Concerning the 'Theory of the Aim of Socialist Economy.'" The paper also carried on a discussion on the aim of socialist production.

Shortly after the emergence of the discussion, the "petroleum faction" flew into a rage. Yu Qiuli, who was utterly discomfited, called on and had a great row with Deng Xiaoping, asking this question: "Who made the decision to carry out this discussion?"

At the same time, the Ministry of Petroleum Industry issued a bulletin which energetically condemned the discussion "on the aim of socialist production" as opposing the slogan "production comes before livelihood."

Due to the powerful pressure exerted by the "petroleum faction," this discussion lasted less than 2 months and was forcefully stopped.

Due to the "petroleum faction's" gradual loss of its power and influence and with the approval of the propaganda department of the CCP Central Committee, this discussion was carried out once again in June this year.

The Third Cabinet: The "Petroleum Faction" Is Reduced to Inferior Position

The "petroleum faction" was a target of public criticism during the recently held third session of the Fifth NPC. Various incidents and issues were raised for discussion such as the "Bohai No 2" incident, the Baoshan Iron and Steel Company incident and the issue of Beijing's pollution. Things concerning the Petroleum Industry Ministry's vice minister, Yang Yibang, who practiced graft and violated the law and discipline during an overseas trip have also been exposed. Several figures of the "petroleum faction" were also summoned by the NPC to answer inquiries. As a result, their arrogance was greatly punctured.

At the same time, the "cabinet" was reshuffled for the third time. The promotion of Zhao Ziyang to the premiership was a major victory won by the "economic reform group." There have also been great changes in the composition of vice premiers: five old vice premiers tendered their resignations; Chen Yonggui was relieved of his post as vice

premier; Wang Renzhong gave up his vice premiership; and Yang Jingren, Zhang Aiping and Huang Hua were appointed vice premiers but are not in charge of economic affairs. The current vice premiers are: Wan Li, Yu Qiuli, Gu Mu, Geng Biao, Bo Yibo, Fang Yi, Ji Pengfei, Zhang Aiping, Huang Hua, Yang Jingren, Kang Shien and Chen Muhua.

Quantitatively speaking, there are still 4 to 5 vice premiers who are members of the "petroleum faction" and there are only 3 vice premiers who are members of the "economic reform group." However, qualitatively speaking, the "economic reform group" is in the dominant position. First of all, Zhao Ziyang has become the premier. Secondly, Wan Li has become the No 1 vice premier. Thirdly, Yu Qiuli has lost his position as minister in charge of the State Planning Commission and has been given the position as minister in charge of the Energy Commission; Yao Yilin has been given the important position as minister in charge of the State Planning Commission. Fourthly, Kang Shien was given a demerit of the first grade and Yu Qiuli made a self-criticism. Since a large number of mistakes of the "petroleum faction" have been exposed, it has been discredited.

Therefore, within the third "cabinet" established during the Fifth NPC, the "petroleum faction" is in a weak position and the "economic reform group" is winning a favorable balance of forces. However, the actual strength of the "petroleum faction" is still sizable and it is still in the majority within the "cabinet." Moreover, Yu Qiuli is still listed as the No 2 vice premier.

The differences between the "petroleum faction" and the "economic reform group" are primarily differences in economic policy. Realizing modernization is the new goal of the Chinese economy. In the course of fulfilling this goal, the emergence of all kinds of contradictions and differences is not at all surprising and is even inevitable.

CSO: 4006

BRIEFS

ZHEJIANG SMUGGLING--Since April this year, the police station of the Hangzhou railway station in Zhejiang has cracked 99 smuggling cases and seized more than 44,000 yuan worth of gold, silver coins, recorders and wristwatches. On 11 August, people's police of the station arrested a group of four smugglers and seized 5 liang of goods, 440 pieces of silver coins and more than 80 wristwatches from Hong Kong and Taiwan worth 7,000 yuan. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 5 Oct 80 OW]

SHAANXI INSTITUTES TRAIN WORKERS--Apart from completing their tasks of teaching and scientific research, institutions of higher learning in Shaanxi Province are actively training workers of economic departments. According to the incomplete statistics of 11 institutions of higher learning, since the beginning of this year, 93 training classes of various kinds have been run and some 4,000 technical cadres and technicians have attended these classes. [Xian Shaanxi Provincial Service in Mandarin 1400 GMT 16 Sep 80 HK]

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5 December 1980

China Report

ECONOMIC AFFAIRS

No. 102

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Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 4, 80 pp 73-76, 23

[Article by Jiang Xingcai [1203 5281 3262] of the Liaoning Academy of Finance and Economics, Dalian: "On Scissors Movement of Prices of Industrial and Agricultural Products"]

[Text] A correct solution to the problem of scissors movement of prices of industrial and agricultural products is bound to contribute substantively to the development of agricultural production, betterment of the livelihood of the peasants, reduction of the differences between industry and agriculture on the one hand and urban and rural communities on the other, solidarity of the alliance of workers and peasants and the four modernizations, especially the modernization of agriculture. The following are my views on a number of questions relating to the scissors movement of prices of industrial and agricultural products.

I. As a matter of history, the scissors movement of prices of industrial and agricultural products was originally an explanation of the fact that since industry always develops faster than agriculture in a capitalist society, the industrial capitalists are likely to avail themselves of their superior economic position to raise the prices of industrial products and to lower the prices of agricultural products in order to exploit the peasants. This kind of exploitation, which intensifies as industry develops, manifests itself in the ever-increasing disparity in the prices of industrial and agricultural products. If the prices of industrial and agricultural products were converted into price indices of a given period and projected in two curves on a statistical chart, the difference, small at first, would gradually expand in the shape of a pair of opening scissors. This is known as a scissors movement of price differentials, a manifestation of the exploitation of the peasant masses by the capitalists in a capitalist society.

A scissors movement of price differentials represents an exchange of unequal values between industrial and agricultural products. This means that in exchanging agricultural products for industrial products, the price of agricultural products is lower than their value, while the price of industrial products is higher than their value. The peasants are the losers in both buying and selling. Stalin, who regarded the scissors movement of price differentials as a problem of the exchange of unequal values between industrial and agricultural products, believed that the difference means to receive less money from the sale of agricultural products but pay more to buy industrial products. He said: "If we regard 'scissors movement of price differentials' as price differences in terms of production cost between

agricultural and industrial products, then the 'scissors movement of price differentials' would be something like this: No doubt, the sale price of our industrial products is higher than what it would otherwise be because our young industry needs protection against foreign competition and favorable conditions for speedy development...otherwise, we cannot provide our peasant economy with sufficient cloth and farm machinery. The price differentials between industrial and agricultural products brought about by these factors are responsible for the losses sustained by the peasant economy."[1] Stalin viewed the price differentials between industrial and agricultural products in terms of cost which, to a very great extent, reflects value. Consequently, the scissors movement of price differentials expounded by Stalin implies an exchange of unequal values.

Since the scissors movement of price differentials of the industrial and agricultural products represents an exchange of unequal values of these products, the size of the scissors movement depends on the extent of the inequality of values exchanged. The greater the inequality of the values exchanged, the greater would be the scissors movement. A reduction in the inequality of values exchanged (closer and closer to an exchange of equal values) will cut back the scissors movement differentials accordingly.

We know an exchange of equal values between industrial and agricultural products means that the ratio of their prices agrees with the ratio of their values. On the other hand, an exchange of unequal values between industrial and agricultural products means the ratio of their prices deviates from the ratio of their values. Consequently, the extent of the scissors movement of price differentials depends on changes in both the price ratio and value ratio between industrial and agricultural products. An accurate prediction of the scissors movement differentials must be considered in the light of changes in both price and value ratios.

Some comrades base their predictions of scissors movement differentials solely on the prices of industrial and agricultural products. They think a scissors movement of price differentials represents a relative rise of the price of industrial products and a relative fall of the price of agricultural products. The scissors movement differentials is simply a short form of "scissors shaped price differentials."[2] They have left out the subutance of scissors movement differentials by relying on the prices of industrial and agricultural products to the exclusion of their values.

Before we proceed any further, I should like to comment on the problem of graphic illustrations of the scissors movement of prices of industrial and agricultural products. There used to be two methods of graphic illustrations. The one shows two curves on a statistical chart to represent respectively the sales price index of industrial products and the procurement price index of agricultural products. The other method also shows two curves on a statistical chart. One of these curves represents the price ratio index of industrial products traded for agricultural products (a price ratio index obtained by using the price index of agricultural products to divide the price index of industrial products). The other curve represents the price ratio index of agricultural products traded for industrial products (a price ratio index obtained by using the price index of industrial products to divide the price index of agricultural products). Here I should like to offer two comments: (1) The focal point of both methods is the price but not the value of industrial and agricultural products and therefore cannot accurately reflect the scissors movement differentials. (2) The second method of graphic illustration is defective because the price ratio index of industrial products traded for

agricultural products and the price ratio index of agricultural products traded for industrial products, like the positive and inversed norms of labor productivity, are actually the same. Either one of the two curves is sufficient to indicate changes in the price ratios between industrial and agricultural products. There is no need to have both curves. Moreover, it is meaningless to represent these two reciprocal indices by two curves and claim that they look like scissors. Suppose we have two curves one above the other. One curve represents the productivity of industrial labor over the years while the other represents its reciprocal. They look like scissors, don't they? But do they mean anything?

II. We know the scissors movement of prices of industrial and agricultural products is a product of the old society. Before the liberation, the amount of industrial products a given amount of agricultural products might trade for had been slipping steadily. Assuming that the composite price ratio between industrial and agricultural products was 100 before the war against Japan broke out in 1936, that ratio was up by 165.1 percent in 1948. Since the founding of the People's Republic, the party and state have made several readjustments of the irrational price structure of some industrial and agricultural products. Comparing 1978 with 1950, the procurement price of agricultural products was up by 107.3 percent, while the retail price of industrial products sold in villages was up only by 9.8 percent. The price differentials between industrial and agricultural products have been trimmed down by 49 percent. The same amount of agricultural products now trade for 90 percent more or even over 100 percent more industrial products as compared with that traded in 1950. This is especially true in distant border areas. The peasants have no doubt gained a lot in terms of commodity prices. If we take into account both price and value ratios between industrial and agricultural products, they still stand for an exchange of unequal values. The scissors movement of price differentials is as serious as ever. Some people believe if the composite price ratio between industrial and agricultural products had been restored in 1958 to the level of 1930-1936, the years immediately preceding the war against Japan, the scissors movement of price differentials would no longer exist. This observation is not accurate because these people are concerned only with changes in the price ratio differentials but not changes in the value ratio differentials between industrial and agricultural products.

Even though we are unable at present to use any scientific method to calculate value and therefore cannot figure out exactly the extent of the scissors movement differentials, we are sure they still exist and have become even worse in the past few years.

First, let us take a look at labor productivity. Comparing 1978 with 1957, industrial labor productivity has increased about 75 percent. That is to say, the per unit value of industrial products has dropped considerably. In agriculture, the labor productivity of the commune production brigades increased 47 percent as compared with 1957. But grain production increased only 45 percent and cotton production was up 25 percent, while oil production dropped 10 percent. This means that as agricultural labor productivity declined, the per unit value of agricultural products has gone up. These changes in the value ratio between industrial and agricultural products triggered by the declining value of industrial products and rising value of agricultural products are the principal reasons for unequal values exchanged between industrial and agricultural products.

Second, as far as production cost is concerned, many commune production brigades have sustained losses all these years due to rising cost of agricultural production brought about by the high cost of chemical fertilizers, pesticides, farm machinery and machine maintenance. According to investigations, in 1976 the production cost of 6 major grains produced by 1,296 production brigades of the whole country was 31.6 yuan per 100 jin, including agricultural levy. The procurement price of these grains was only 10.74 yuan per 100 jin. So there was a loss of 7.4 percent. The production cost of cotton produced by 302 production brigades in 1977 was 109 yuan per 100 jin, including agricultural levy. The procurement price of cotton at that time was 106.9 yuan per 100 jin, a 2 percent loss. These are the testimonials of the exchange of unequal values. The fact that the price of agricultural products was lower not only than their value but also their price demonstrates the seriousness of the inequality in the exchange of values.

Third, although many production brigades have increased their production, they have not realized any increase in income and some have even sustained reductions in income. According to the findings of surveys conducted by the provinces on 2,162 production brigades, the per mu yield of 6 principal grains increased from 232 jin in 1965 to 316 jin in 1976, a 36 percent increase. But the production cost per mu has jumped from 26.2 yuan to 40.5 yuan, an increase of 54 percent. The per day labor value has dropped from 0.7 yuan to 0.56 yuan.[3] This explains that the price of agricultural products has fallen so much below cost that the compensation accorded to agricultural labor is forced down to the lowest level. The labor value of some production brigades has dropped down to 20-30 cents per day labor.

Fourth, in 1977 the annual net output value created by an industrial worker was 2,800 yuan at current price as compared 324 yuan created by an agricultural worker. This means the value created by an industrial worker per year equals that created by 8.5 peasants. As for state revenue, 290 million peasants contribute 3-4 percent of the state revenue, while more than 90 percent of it comes from 80 million industrial staff and workers. What accounts for such a difference in the contributions to the state treasury by industrial workers on the one hand and agricultural workers on the other? Obviously the price of industrial products is higher than their value, while the price of agricultural products is lower than their value. So a part of the value created by agriculture is transferred to industry.

Fifth, a basically identical labor force earns more in industry than in agriculture. Take a production brigade for example. The gross daily earning of a worker is 1 yuan in growing grains, 2 yuan in raising pigs and over 5 yuan in industrial work.[4] There is another production brigade which earns 70 percent of its total income by committing 11 percent of its labor force to industrial production of cement and saws, while the remaining 30 percent is earned by 89 percent of its labor force engaged in agricultural production. This no doubt is due to the exchange of unequal values between industrial and agricultural products.

Sixth, some people have figured out that the price of industrial products in 1975 was about 15-20 percent higher than their value, and the price of agricultural products was 25-30 percent lower than their value. Can we say that the scissors movement of price differentials is no longer in existence?

Seventh, now let us compare the exchange ratio between certain industrial and agricultural products in our country with the ratio in the international market. In 1978 1 jin of grain could exchange for 2 jin of chemical fertilizers in the international market, but only 1 jin in our country. One jin of cotton could exchange for 5-8 feet of plain white cloth in the international market, but only less than 4 feet in our country. One jin of wheat could exchange for 1.5 jin of kerosene in the international market but only 0.4 jin in our country. This shows that the current price of our agricultural products is too low and that of our industrial products too high.

The above analysis demonstrates the exchange of unequal values between industrial and agricultural products, the scissors movement of their price differentials. Such marked scissors movement of price differentials hurts seriously the enthusiasm of the peasants in developing production, slows down the pace of agricultural development, affects the solidarity of the workers and peasants alliance and aggravates the difference between urban and rural communities as well as that between industry and agriculture. We cannot afford to let this continue. The scissors movement of price differentials should be reduced step by step in keeping with the development of industrial and agricultural production.

III. The scissors movement of price differentials will remain during the progress of the four modernizations. The peasants, for a long time to come, will have to contribute the state capital accumulation through prices and taxation. Their contribution through prices, however, should be gradually cut back in order to reduce the scissors movement of price differentials. Judging by the general trend as of now, the procurement price of agricultural products should be raised gradually and the price of farm-supporting industrial products should be cut back a bit by lowering the production cost. The sale price of general industrial products should remain stable or a bit lower. Instead of wiping out this phenomenon of paying more or less, there are a number of reasons why a reduction of the scissors movement of price differentials should be tied to simultaneous increase of both industrial and agricultural production. First, it involves our financial resources. A drop of 1 percent in the sale price of industrial products means a loss of 400 million yuan in revenue to the state. By the same token, an increase of 1 percent in the procurement price of agricultural products means an additional expenditure of 300 million yuan to be borne by the state. Second, in addition to agricultural levy which provides a part of the revenue, the peasants have to contribute to the state capital accumulation by accepting a lower price for agricultural products than their value. This is necessary for accumulating construction capital to achieve the four modernizations. Stalin said: "In view of the conditions, our peasants will have to face the realities. In addition to paying the general taxes, both direct and indirect, the peasants first of all have to pay higher prices for the industrial products, and secondly, to sell the agricultural products for less money. This is an extra levy imposed on the peasants for the sake of industry which serves the whole country (peasants included)." "To eliminate this extra levy and wipe out the 'scissors movement differentials' between urban and rural communities, we have to impose this temporary levy."[5] Third, any rise in the price of agricultural products must be compatible with the commodities which the state is able to supply to the villages. Once the procurement price of agricultural products is raised, the peasants who have more money at their disposal are likely to buy more at the market. However, due to the dislocation of the ratios between agriculture, light and heavy industry, our backward agricultural production and the pace of the growth of our light industry

have not been able to meet the requirements arising from the development of our country. Even if the state were financially fit to raise the procurement prices of agricultural products and by-products, it would find itself restrained by the lack of sufficient commodities for the market. Thus, when we increase the procurement prices of agricultural products, we must consider how to balance people's purchasing power and the supply of commodities. Fourth, when we raise the procurement prices of agricultural products, we must also consider their impact on general price stability. Any rise in the procurement prices of agricultural products is bound to affect the sale prices of agricultural products and the price of those light industrial products manufactured from agricultural raw materials. In the end the whole commodity price structure will suffer. Consequently, any reduction of the scissors movement of price differentials between industrial and agricultural products should be gradual enough as to keep pace with the development of industrial and agricultural production. No attempt should be made to achieve it instantly in one stroke.

Some people believe the only way to reduce the scissors movement of price differentials is to raise the procurement of agricultural products and lower the sale price of industrial products. I do not think the idea is well conceived. The most realistic approach to the problem of reducing the scissors movement of price differentials between industrial and agricultural products is to raise the real income of peasants and reduce the gap between the living standard of industrial workers and peasants. To bring the peasants' standard of living closer to that of the workers will help to mobilize the enthusiasm of the peasants in production. Thus, the most effective measures to reduce the scissors movement of price differentials are to realize agricultural modernization, increase the productivity of agricultural labor, develop a diversified economy, commit surplus agricultural labor to new productive operations and carry out various farm policies to mobilize the enthusiasm of peasants. The next step would be to adjust the price ratio between industrial and agricultural products within the limits of the state's financial resources. There should also be programs aimed at reducing the price of industrial products, especially those needed by peasants, but accompanied by increase in the procurement price of agricultural products. As a matter of rational pricing, the main emphasis should be on raising the procurement price of agricultural products. However, as attested by years of experience, any rise in the price of agricultural products will involve a wide spectrum of problems and cause a series of chain reactions affecting state finance, wages, cost of industrial production, business operations and the livelihood of the people. A policy based on gradual reduction of the price of industrial products seems more productive. First of all, it will encourage the peasants to seek better income by producing more, increase the capability of agriculture to expand reproduction and enhance the development of agricultural production. Secondly, it encourages industry to improve its management, practice careful budgeting, lower the production cost and improve the quality of products. If the scissors movement of price differentials between industrial and agricultural products were too extensive, agricultural production would suffer. Due to disruption by the "gang of four," the amount of agricultural products traded for industrial products in the past few years showed very little increase. There was an annual average increase of 2.5 percent between 1952 and 1973 but it slipped to 0.3 percent between 1974 and 1976. Confronted by the situation, our government, acting to further reduce the scissors movement of price differentials between industrial and agricultural products, to encourage the peasants to increase their income through the development of agricultural production and to mobilize their enthusiasm, has decided to raise the procurement prices of several principal farm products, such as grain, cotton, edible

oil and hogs. This resulted in a 24.8 percent increase in the procurement prices of 18 major agricultural products. The total increase amounts to more than 7 billion yuan. The peasants receive an additional income of 8 yuan per capita. This is a very important policy decision by the Party Central Committee to speed up the development of agricultural production, an indication of its concern for the broad peasant masses. The adjustment will no doubt correct the low price of agricultural products and reduce the scissors movement of price differentials. It will increase the income of peasants, improve their livelihood, maintain a more rational price ratio between various agricultural products, facilitate planned development of agricultural production according to established ratios and further reduce the difference between industry and agriculture as well as that between urban and rural communities. From a long-range viewpoint, however, the emphasis should be placed on increasing the productivity of agricultural labor and lowering the cost of agricultural production so as to help the peasants realize a gradual increase of real income. Once the livelihood of the peasants improves, their enthusiasm for developing production may then be mobilized to speed up agricultural production to meet the needs of the four modernizations.

FOOTNOTES

[1]Stalin: "Conversation With Foreign Workers Delegation," "Complete Works of Stalin," Vol 10, p 195.

[2]Xu He [1776 4421] et al: "Explanations of Political Economy Terms," People's Press 1974 Ed. p 161.

[3]Yang Wen [2799 2429]: "Strengthen Scientific Research in Agricultural Economy," GUANGMING RIBAO, 7 Dec 78.

[4]Huang Tingjun [7806 1694 7486] et al: "Smash Fake Leftism and Genuine Rightism To Achieve High Speed Agriculture," RENMIN RIBAO, 14 Nov 78.

[5]Stalin: "The Plenum of the Soviet Communist (Bolshevik) Party Central Committee: The Problem of Industrialization and Grain," "Complete Works of Stalin," Vol 11, pp 139-140.

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PROMOTION OF TOURISM URGED AS AID TO ECONOMY

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 4, 80 pp 77-80

[Article by Liu Shijie [0491 0013 2638] and Wang Ligong [3769 4539 4854] of the Jiling College of Finance and Commerce: "Tourism in the National Economy"]

[Text] Tourism is an important sector of the economy. Capitalizing on tourist attractions and facilities, it is an enterprise to provide services to tourists. At present, tourism has become not only an important sector but also a decisive factor in the national economy of many countries. Unlike agriculture, industry and commerce, tourism does not produce either farm products or manufactured goods. Nor does it handle the circulation of commodities. Its impact on the national economy comes from the services it renders to tourists.

In his "Report on the Work of the Government" to the Second Session of Fifth National People's Congress, Comrade Hua Guofeng pointed out correctly a policy of "active development of tourism." A well-run tourist trade for our country may very well increase our foreign exchange reserve, satisfy the livelihood requirements of the people, expand employment opportunities, speed up the development of most sectors of our national economy and contribute to the realization of the four modernizations.

1. To Earn Foreign Exchange and Balance International Payments

To earn foreign exchange is an extremely important task in developing the national economy. The amount of foreign exchange a country earns represents its ability to meet international payments and the strength of its economy. Apart from foreign trade, many countries regard tourism as an important vehicle to earn foreign exchange. Statistically speaking, people the world over spend about U.S.$60 billion for tourism purposes. The ratio by which this huge amount of money goes to various countries depends on the development of tourism in each country. Income from tourism has become a vital source of foreign exchange to those countries with well developed tourist trade. In 1978 Spain received 40 million foreign tourists, 10 percent more than its entire population, and earned U.S.$6.7 billion, over one-third of its national revenue. Spain, with a population less than 1 percent of the world population, earns over 11 percent of the foreign exchange spent by tourists the world over. This represents Spain's ability to develop tourism to earn foreign exchange. Switzerland, which usually has a trade deficit of about 6 billion Swiss francs, was able to earn in 1976 over 5 billion Swiss francs, which practically helped balance its international payments. So Switzerland regards industry, banking and tourism as the three pillars of its economy. Compared with the developed

countries, our country has tremendous potentials for promoting tourism. We are an expansive populous country with abundant resources. With a long history known to the world, our country abounds with scenic and historical sites which are excellent tourist attractions. Although tourism, still in its infancy in our country, is not yet able to earn much foreign exchange, I am sure it will develop rapidly, as we have so many attractions to offer.

In developing our national economy, we have to import advanced technology from foreign countries to help us achieve the four modernizations. So we need vast sums of foreign exchange to meet our international payments. And, we need more than foreign trade to earn the foreign exchange we require. Tourism is one of the vehicles. If we were able to carry out the first project in our state plan, we would receive 3.5 million foreign tourists annually by 1985 and earn U.S.$2.5 billion. If the second project in the state plan were carried out, we would receive 6 million foreign tourists annually by 1985 and earn U.S.$5 billion. As tourism keeps expanding, if we commit 1 percent of our population to man the tourist trade, we may have 10 million foreign tourists who will bring in U.S.$10 billion at $1000.00 per capita as service charge. That equals our current foreign trade earnings. Judged by the development of tourism the world over, it is entirely possible. If our tourist earnings reached such a proportion, it would contribute substantially to the development of our national economy and the four modernizations.

As a matter of fact, tourism is more profitable than foreign trade in earning foreign exchange. When we spend 1.7 yuan RMB to provide tourist service and earn U.S.$1 in return, we break about even at the current exchange rate. On the other hand, to earn U.S.$1 through foreign trade, we have to export commodities worth two times more than the value of the dollar at the current exchange rate.

A foreign tourist who stays 12-14 days in our country has to spend about $1000.00. To earn that much foreign exchange through trade, we have to export 10 tons of crude oil, 12 bicycles, 1.5 tons of powdered milk and 40 tons of apples. If we earned U.S.$5 billion through tourism according to the second project in the state plan, we would be able to save for our domestic market 50 million tons of crude oil, 60 million bicycles, 7.5 million tons of powdered milk and 200 million tons of apples. That would help improve the people's livelihood.

2. To Satisfy the Needs of the People and Expand the Withdrawal of Currency From Circulation and the Accumulation of Capital

The development of tourism covers both international and domestic tourist trade. Domestic tourism not only satisfies the need of domestic tourists but also absorbs idle money in the hands of our people, an important vehicle to withdraw currency from circulation and accumulate capital for construction.

The expansion of tourism in recent years has led to the emergence of organized domestic tours in various countries. According to statistics, over 1 billion people the world over took advantage of holidays in 1978 to tour their own countries. They are 4 times the number of international tourists and represent U.S.$240 billion of tourist income. In some countries where tourism flourishes, income from domestic tourism often exceeds that from international tourism. Take the United States for example. In 1976 the United States earned $6.7 billion from foreign tourists but $98 billion from domestic tourists. The latter is 14.2 times

the former. The earnings derived from domestic tourism is nearly 6 percent of its gross national product. Romania is another good example. In recent years, Romania has received 3.65 million foreign tourists and 6.35 million domestic tourists, the latter nearly doubled the former. It has earned U.S.$400 million from the foreign tourists and 1.3 times more, or U.S.$500 million, from the domestic tourists. Domestic tourism in both the United States and Romania has been instrumental in withdrawing currency from circulation and in capital accumulation. Although our domestic tourism is in its infancy, it has tremendous potentials in the long run and will become more and more promising as the livelihood of the people improves. At present, we offer commodities and services to the masses to withdraw from circulation currency in the hands of our people. Once the income of our working masses increases along with the development of production, these vehicles for withdrawing currency from circulation will not suffice. We must provide tourist services for the masses so as to expand the withdrawal of currency from circulation and accumulation of capital. Now both Beijing and Shanghai have begun to organize long-distance, medium-distance and short-distance tours to satisfy the needs of the masses. There are tours originating from Beijing to the Ming Tombs, the Badaling, the Qing Tombs, etc. There are also tours originating from Shanghai to Suzhou, Hangzhou, Beijing and Beidaihe.

Domestic tourism is meant to satisfy the livelihood requirement of the people. Although the basic livelihood requirements are clothing, food, shelter and transportation, people will travel when their standard of living improves. The higher the standard of living, the greater would be the urge to travel. Take France for example. Between 1966 and 1976 the number of peasant tourists as compared with the peasant population went up by 5.6 percent, that of factory workers up by 10.9 percent, that of service personnel up by 7.6 percent and that of other working personnel up by 10.5 percent. The number of tourist high level managerial personnel and clerical staff did not register any increase although there was a slight increase in the number of tourism mid-level managerial personnel. The number of domestic tourists as compared with the total population went up during this 10-year period from 41.7 to 51.6 percent, an increase of 9.9 percent. The increase represents mainly a growing number of working people taking tours. We are a socialist country where the working people are masters. When the people's standard of living improves, there will be more working people taking tours. Our tourist trade as such will aim at enabling the working people who travel to become relaxed and fit to work for the four modernizations.

3. To Expand Employment Opportunities for a Vast Labor Force

Employment opportunities are crucial to the development of the national economy. Tourism as of today has scored an annual worldwide record of 265 million tourists and about 100 million engaged in the tourist trade. In some countries where tourism is well developed many people are engaged directly or indirectly in tourist services. This contributes decisively to employment. The following figures show the conditions in those countries where tourism flourishes:

Country	People in Tourist Trade	% Total Population
Yugoslavia	200,000	1%
Italy	1,000,000	2%
USA	7,000,000	3%
Great Britain	2,000,000	3.5%
Switzerland	2,500,000	40%

Switzerland ranks first in tourist trade, and most of its adults hold jobs related directly or indirectly to tourism. Economically speaking, tourism, one of three pillars of the Swiss economy, is an important employment provider.

Being a populous country with a vast labor force, the most crucial problem in the development of our national economy is to make proper use of the labor force. In his "Report on the Work of the Government" to the Second Session of the Fifth National People's Congress, Comrade Hua Guofeng said: "To expand employment opportunities to enable those waiting for jobs to get suitably employed we must actively develop handicraft industry, repair services, commerce, general services, breeding and cultivation of living things, food services, tourist trade, urban public utilities, afforestation and other required enterprises." The development of tourism in our country will no doubt provide employment opportunities not only for those engaged directly in the tourist enterprise but also for those in light industry, transportation, commerce and services which will expand along with the growth of tourism.

Since tourism is in its infancy in our country, the number of tourists we receive each year is rather small. Nor do we have many well developed tourist-oriented enterprises. Consequently, the people engaged both directly and indirectly in the tourist trade is also limited. This vacuum is our potential for developing tourism to create jobs for a vast labor force. Suppose we actually receive 3.5 million or 5 million tourists in 1985 and, like Thailand, we let every tourist have the service of one person involved in the tourist trade, we would have 3.5 million or 5 million tourist-oriented job openings. If our tourism develops as rapidly as it does in Yugoslavia, Italy, the United States or Great Britain and 1 percent, 2 percent, 3 percent or 3.5 percent of the population were to go into tourist trade, over 9 million, 18 million, 27 million or 31.5 million people would be employed directly and indirectly through tourism. By that time, tourism will indeed be a formidable reservoir of employment opportunities.

4. As a composite sector of the economy, tourism is closely tied to many other related sectors of the national economy.

Tourism depends on convenient means of communications. This calls for the development of transport by air, railroads, waterways and super highways. Unless we have suitable means of communications, we would not be able to take tourists into our country and visit places of tourist interests. So we need communications and transportation, the main arteries of tourism, to insure a constant flow of foreign tourists. Take Romania for example. The Romanian airlines have developed rapidly to keep pace with its growing tourist trade. Though only a medium-size country, Romania has 10,000 kilometers of domestic airlines and 120,000 kilometers of international airlines serving its capital and 14 other major cities and connecting Bucharest to 37 countries in Asia, Africa and North America. Romanian airplanes now fly to more than 400 major airports of the world. Our airways, both domestic and international, are unfit for tourism and must be greatly expanded. The Beijing Airport has already been extended to accommodate growing tourism. With landing facilities for all kinds of jumbo passenger planes, its increased transport capacity has made Beijing much more accessible to tourists. Our railroads, waterways and highways also require extensive development to meet the need of the tourist trade. We are sure our communications and transportation facilities will develop rapidly along with the growth of tourism.

The development of tourism also requires convenient lodging and food service. This means more comfortable hotels and restaurants without which tourism will not grow. The hotel business in Singapore has expanded in response to its growing tourism. In 1967 Singapore had only 16 hotels with about 1600 rooms to accommodate its tourists. In 1976 when tourists began to come in greater numbers, the number of hotels multiplied to more than 70 with more than 10,000 rooms, a tenfold increase in hotel rooms within a decade. Our hotels and restaurants, unfit for expanding tourism, are due for sweeping improvement. We are now building hotels and restaurants at major tourist centers, such as Beijing, Guangzhou, Shanghai and Guilin.

The production and sale of merchandise to serve tourists must be duly developed to keep pace with the growing tourism, which cannot develop fully unless we have sufficient merchandise to attract tourists. The rapid growth of tourism in Hong Kong is due largely to its excellent supply of merchandise. The number of tourists has been growing steadily because they regard Hong Kong as a "shopping paradise." The growth of tourism in Hong Kong is accompanied by an increase in the ratio of money tourists spend on merchandise as compared with what they spend on touring. The ratio went up from 56.4 percent in 1966 to 59.3 percent in 1970 and 61.3 percent in 1977. The growth of tourism has brought prosperity to Hong Kong and enhanced domestic trade in Yugoslavia. Tourist consumption per annum in Yugoslavia accounts for 20,000 tons of grain, or 3 percent of its commercial grain, and 100,000 tons of meat, or a little over 10 percent of its annual meat production. The development of tourism in Yugoslavia has activated its domestic trade and increased its business income.

Our famous handicraft articles and local specialties are tourist attractions. The growth of tourism has already propelled the production and sale of these products. In the second half of 1978, the Shanghai Arts Crafts Company sold to tourists 2.3 million yuan RMB worth of handicraft products. The sale of merchandise to tourists by the Municipality of Shanghai as a whole amounted to a gross total of 20-22 million yuan RMB, 7-8 million yuan of which are business profit. The production and sale of tourist-related merchandise in Beijing, Guangzhou, Guilin and Hangzhou have also grown along with the development of tourism. We have no doubt that the production and sale of tourist-related merchandise will expand to usher in greater business prosperity incidental to the growth of tourism.

In a word, with such favorable conditions for developing tourism, if we adopt positive measures to carry out the state program to promote tourism, our tourist trade will grow by leaps and bounds and reach a position to contribute even more substantially to our socialist modernization.

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BRIEFS

SICHUAN FINANCE MEETING--The Sichuan Provincial People's Government recently held a forum of finance work and demanded that the whole province fulfill the year's plans. The meeting pointed out: the financial situation of Sichuan Province was good from January to September. Leaders at all levels must continue to work hard and grasp the following: 1) enliven the economy and increase production; 2) encourage all local departments to work hard to increase financial revenue; 3) abide by laws governing financial revenue and the economy and make sensible use of loans; 4) insure that all departments strive to cut expenses; and 5) strengthen their leadership over finance work by launching ideological education. [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 18 Oct 80]

LIAONING TAX--The Shenyang Municipal Tax Bureau had fulfilled 86.67 percent of its annual tax collection plan by the end of October, an increase of 3.87 percent over the corresponding 1979 period. [SK071032 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 6 Nov 80]

QINGHAI FINANCIAL CIRCULAR--The Qinghai Provincial finance department recently issued a circular urging various localities and departments concerned throughout the province to adopt effective measures to do a good job in collecting tax revenues during the remainder of 1980. The circular impels management departments of all enterprises to halt extravagance and waste so as to have their taxes paid on time. No tax revenue unit or department should arbitrarily adopt a decision on tax cuts or exemptions. The circular also warns that all tax-paying enterprises and establishments as well as units should pay their taxes in accordance with tax regulations. Regarding those who refuse to pay their taxes despite repeated warnings, it is necessary to deduct money from their bank deposits. It is also necessary to hold those responsible who evade a large amount of taxes, refuse to pay them and insult tax collectors. Appropriate punishment must be meted out to these persons. [SK110645 Xining Qinghai Provincial Service in Mandarin 2330 GMT 9 Nov 80]

LIAONING MEETING ON REVENUES--The Liaoning Provincial meeting of directors of financial and tax bureaus called for efforts to practice economy, collect revenues according to policies, economize, strengthen management and the supervision of revenues and expenditures, correctly enforce the profit-retaining system and vigorously and steadily carry out reforms in revenue and tax collection. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 10 Nov 80]

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ADVANCES IN SOLAR ENERGY UTILIZATION DESCRIBED

Chongqing XIN NENGYUAN [NEW ENERGY SOURCES] in Chinese No 1, Feb 80 pp 1-16

[Article by XIN NENGYUAN staff members Gu Jian [7357 1017] and Li Mengming [2621 1322 6900]: "Development of Technology for Utilizing Solar Energy in This Country"]

[Text] Since 1975 solar energy technology in this country has developed rapidly, and more than half of the country's provinces and municipalities are already pursuing research on solar technology and experimental development of equipment to various degrees. Such technologies and equipment as solar water heaters and solar ovens have already come into some use and have gained certain achievements. These developments show that our country has already made great strides in research on the development of new energy sources, and like the development of methane production, experimentation and popularization of the use of solar energy are meeting the approach of the third energy transformation in human history.

From late August to the first third of September of last year, the Second National Experience-Exchange Conference on Utilization of Solar Energy was held in Xi'an, after which the inaugural meeting of the Solar Energy Society and the first Technical Conference were held. At the same time, our country held an exhibition on utilization of solar energy and invited American and West German colleagues to bring products and participate. These two conferences and one exhibition are an overall review of our country's solar use technology and also constitute a great stimulus to it, and we trust that following these events our country's solar technology will develop more rapidly and on a larger scale.

Solar Ovens

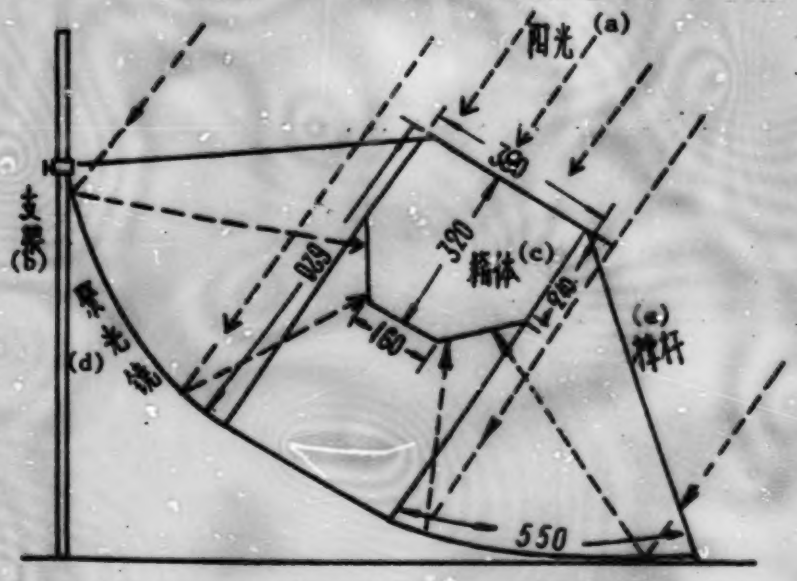
Particular attention at the conference was attracted by the exhibit of a variety of solar ovens developed by this country, technology for determining solar oven characteristics, and discussion of solar furnace design, materials and theory.

A paper-shell inclined-axis reflector solar oven developed by the Solar Energy Research Laboratory and the peasant masses of the Gannan Zhuang Nationality Autonomous Prefecture, Gansu Province, was introduced at the Solar Energy Society Meeting. This solar furnace uses a parabolic collector with an area of 1.36 square meters; the reflector surface consists of 4.5 x 4.5 cm cemented reflective sections, reinforced by a wood frame. The parabolic reflector is

supported by a turnable mount which can be rotated through 360 degrees and can move the reflector vertically through 70 degrees. Above the reflector is a pot support whose position can be adjusted slightly to improve the focus. The external shell of the mirror is made of papier mache so as to make it easy to use local materials and to decrease fabrication cost. Experiments indicate that when direct solar radiation is 588-630 kilocalories per square meter, the solar oven has an average power of up to 540 watts. This type of solar oven has already been popularized in 280 households of 1 brigade, and has had a major effect in saving fire fuel and labor. The oven's cost is about 28 yuan.

Another solar oven basically similar to the Gannan oven is the HB-3 solar oven developed by Linxi County, Hebei Province. This oven was developed starting in 1974, and more than 3,600 units of 16 types have already been fabricated. The HB-3 has a 2.5 square meter collector surface with a focal length of 75 cm and according to experiments the maximum temperature at the focus is 680°C. The parabolic mirror is made of small 4 x 3 cm glass mirror sections, and the shell is made of cement magnesite. A T-shaped or H-shaped support is used. The shell is rather heavy and the center of gravity rather stable, but it is not easy to move. The unit is shown in Figure 1 [not reproduced].

The Kunming Normal Academy has developed an improved box-type solar oven in which the solar radiation can both enter the box directly or be focused on the bottom of the box by two side-mounted parabolic reflectors. This design considerably increases efficiency. A second feature is that it can be disassembled, which increases its portability. A third feature is that it has a variety of uses. In clear weather the temperature in the box can rapidly increase to 200° or more. Thus, it can be used to steam rice or boil water, and it also can be used as a hospital sterilizer. This solar oven is shown in Figure 2.



(a) sun's rays
(b) supporting frame
(c) box
(d) reflector
(e) support

Figure 2. Kunming Normal Academy box type solar oven

The Zhengzhou Institute of Automation and the Zhengzhou No 3 Middle School have jointly developed a portable inclined-axis solar oven. This oven was described at the First Solar Energy Utilization Exchange Conference in 1975, and has since been used experimentally for 4 years with continuous summarization and improvement, leading to the development of the current portable inclined-axis oven (see Figure 3) [not reproduced]. When not in use it can be folded up like a suitcase. When the wooden case is opened and the solar pointer inside directed toward the sun, the more than 700 small reflecting strips cemented inside the box which form the solar reflector focus the sun's rays 800 mm away in the focal area. The collector area is about a square meter, and experiments indicate that the average power is about 387 watts, with a maximum temperature of 450° at the focus. This solar oven design has the shadow of the cooking vessel fall outside the reflector, so that cooking is easier.

The unique characteristics of our country's solar oven development are expressed in a series of requirements for the use of solar ovens, such as provision for protecting the person doing the cooking from high-temperature burns, the requirement of resistance to damage in rural use, the requirement that it be light and easily movable or portable, and the like, and much progress has been made. In particular, theoretical studies focusing on improvement of focusing efficiency and decreasing heat loss have been made. It is expected that the new generation of solar ovens will show further progress.

Solar Water Heaters

Solar water heaters are a kind of equipment which is already in rather extensive use in our country, and currently 365 units have built them; there is already more than 40,000 square meters of collector surface. Most of the solar water heaters currently in use are tube and plate types or corrugated sheet types. Such water heaters are already in factory series production.

Solar energy has many advantages, but it is limited by weather conditions and by the time of day, and accordingly operates intermittently. Since for many uses continuous provision of energy is desired, one way of solving the problem is through storage, but complementing them with other energy sources seems to be an effective and economical approach. For solar heating, the Fujian Province Institute of Metrology combined waste heat from boiler exhaust gas with a solar water heater, using the heat from the exhaust gases to supplement that from the solar heater. A photograph of this installation is on the back cover [not reproduced]. The solar water heater has an area of 60 square meters, the boiler is a hand-fired 6-ton unit which consumes 600 kg of coal a day, and according to initial results 100,000-120,000 kcal can be recovered from the exhaust gas. This installation is in experimental use at the Sanming Tool and Die Plant, and is providing hot water year round. Fujian Province has already built 10 different models of combined installations, of different sizes, which are now in operation.

Currently research is dealing both with improvement of existing tube and plate collector structure and capabilities, and also with developing models made from new materials, such as plastic and enameled units. In order to improve the efficiency of tube and plate type collectors, Tianjin University investigated the optimum tube spacing, reaching the conclusion that the tube spacing can be selected in terms of the collector plate efficiency F' and the material consumption, as

well as tube diameter and plate thickness. The Research Institute of New Technology in Beijing and the China Scientific and Technical College have carried out design research on natural-cycle solar water heater systems which indicates that use of a collector with good performance characteristics is the key method of improving system thermal capabilities, and that the geometric layout of the system has an extremely great influence on thermal characteristics. This analysis was based on experimental work and used mathematical modeling to make a relatively comprehensive analysis of certain primary parameters in water heater systems design. This type of research is a great advance over the usual comparative experiments, and is a commendable approach. Figure 4 [not reproduced] shows the Beijing Institute of New Technology's inclined box solar collectors. The Shanghai Institute of Silicate Research and other units have created an enameled box type solar water heater whose design is shown in Figure 5. The collector plate has an area of 0.5 square meters, and the transparent area is 0.64 square meters, with a water capacity of 4.9 kg. The enamel used for the collector is made up according to the specific requirements and is about 0.12-0.15 mm thick. Preliminary experiments showed that the presence of the enamel layer did not have a very great effect on heat resistance, and accordingly the collector characteristics were comparable to those of the tube and plate type collector. But this type of collector is of simple design and easy to produce in an industrial process, so that it can be manufactured in large quantities. If sufficient attention is given to the connector parts, service life can be longer than that of tube type collectors. Currently the device is still in experimental development, and it has yet to undergo testing.

Figure 5. Enameled box type water heating collector

Anyang Prefecture, Henan Province, has created a glass tube type solar water heater. This type of collector has a structure basically similar to that of the tube and plate collector, but glass tubes are used in place of steel ones. Soft rubber connectors were used for the exit and entry pipes, and production

costs were slightly less than for the tube and plate models. According to preliminary experiments, performance is close to that of tube and plate type collectors.

Solar Heat Collectors

Flat-plate type heat collectors can be used not only for water heaters, but also for space heating, air conditioning and other purposes. Accordingly, many organizations have carried on research on such aspects as improving flat plate type collector efficiency, improving water or space heating output temperature, tracking mechanisms for flat plate collectors and the like. For example, the Institute of Mechanics has submitted a design calculation method for the collector area of flat plate collectors and an experimental report on the characteristics of a flat tube type collector; the Qinghua University Research and Teaching Group on Air Conditioning has developed rational measures to improve flat plate type collectors efficiency; the Guangzhou Energy Research Institute has investigated the heat absorption process in glass tube type solar collectors, and so on. These investigations will unquestionably improve flat plate collector characteristics. In general, flat plate collectors require relatively low temperatures, and utilize diffuse radiation from the sun, so that they do not need tracking mechanisms. But this does not rule out the use of tracking equipment in certain situations so that the collector can receive maximum solar radiation. The problem is that the use of tracking mechanisms requires a greater investment and the consumption of a certain amount of energy. Accordingly, the problems of how big an increase in efficiency can be achieved, how much of an increase in collection capacity can be achieved, and whether it is economically justifiable, require theoretical investigation and practical comparisons. Qinghua University has produced a report on how much benefit can be achieved by using a tracking installation with a plate collector which indicates that if a relatively high temperature is required, by using a tracking mechanism with a 1 square meter collector an effect equivalent to 1.7 square meters of collector surface can be achieved and the time of operation extended. Accordingly, if the investment for a 1 square meter collector is larger than that for a tracking device designed for a 1 square meter collector, with current low glass transmission coefficients and without the use of selective coatings, use of a tracking mechanism of a collector will be cost effective.

A vacuum-type glass tube collector is a new device which increases the efficiency and the temperature of the working material. The Shenyang Municipal Institute of Construction Engineering and other units and the Qinghua University Department of Electronics have each quickly experimentally developed evacuated glass tube type collectors, which attracted much attention when shown at the exhibition.

The evacuated glass tube collector consists of an external sleeve, an absorber tube and an interior tube. Because the space between the exterior sleeve and the heat absorbing tube is evacuated, heat loss is decreased and the collector temperature raised, so that without using a tracking mechanism it can be used as a collector for solar heating and air conditioning.

The Shenyang Municipal Construction Engineering Institute has already used evacuated glass tubes in a solar collector with an installed area of 1330 x 1020 mm and a heat collecting surface of 1 square meter, using 12 evacuated glass tubes spaced 82 mm apart. The absorber tube dimensions are 40 x 1085 mm, the sleeve measures 50 x 1070 mm, and the wall thickness is 1.5 mm. The absorber tube and the sleeve are sealed at one end, while the other has a movable seal to provide room for expansion after absorption of heat. Below the collector is a flat reflector, and the shell is a polyvinyl chloride board. The absorber tube is painted with a selectively absorbing layer. In 10 days of testing, the evacuated tube collector collected a maximum of 2,938 kcal/m^2, with a surface temperature of 80.1°C. The collection time was rather long. It can also be used in cloudy weather, and the collector temperature reaches a level close to that achieved by a flat plate collector in sunny weather, i.e. 40-60°C.

The evacuated glass tube developed by the Qinghua University Department of Electronics has an exhaust tube attached to one end of the sleeve, the external diameter of the heat absorber tube is 40 mm and the tubes are 600 and 1,200 mm long. Preliminary measurements indicate that the low-temperature efficiency is rather high, above 50 percent. It uses domestically produced glass, with a relatively good transmissivity, but it may give off gas under vacuum, so it has to be roasted at 300-400°C for an hour to remove gas adsorbed on the glass surface, and a barium-titanium evaporation type gas removal agent must be used to maintain a high vacuum. During development of the vacuum type collector, the researchers investigated a selectively absorbing film, and concluded that electroplated black nickel is a low-cost good selectivity coating. Figure 6 [not reproduced] shows an experimentally-developed vacuum evacuated glass tube, and Figure 7 [not reproduced] shows the testing of an evacuated tube water heater.

Solar Heating, Air Conditioning and Refrigeration

Research in this country on solar heating, air conditioning and refrigeration has also made advances. Several types of active and passive solar buildings are being tested, and studies of solar air conditioning have been conducted. Many organizations have already conducted successful experiments with solar refrigeration and ice making, but there has not been much practical utilization. Accordingly, research and experimentation on solar heating, air and air conditioning, and in particular on passive solar houses, should be stepped up, and it seems that system research and practical utilization of ice production should be given special attention.

The Gansu Institute of Natural Energy Sources and Zhongxing Commune, Minqin County, have jointly carried out experiments on the principle of the French Trombe passive solar house and have built a house with a usable area of 30 square meters whose south wall is made of 370 mm thick masonry, while the remainder is earth walls with papier mache ceilings. On the south wall are installed two 8 square meter air collectors with a glass cover. The south wall is painted black to function as a heat absorber and collector, and two 250 x 170 mm air passages are opened in the wall. The design is as shown in Figure 8 [not reproduced]. Starting in November 1977, the house was tested for 121 days, with excellent results. The region has a cold climate, but only 80 kg of coal

was used as supplementary fuel for the entire winter, with primary reliance on solar heating through the cold season. If two collectors are used to heat 10 square meters, the maximum room temperature can reach 26.4°C, and the lowest room temperature can be maintained at 9°C. This heating design involves an additional 5 yuan of investment for every square meter of living space. But this experiment is merely a preliminary one, and there are still some shortcomings, such as an excessively high temperature variation indoors, which require improvement. Figure 9 [not reproduced] shows a passive solar house which is undergoing testing. An active solar house, a 1-story 3-room design, was erected in the same location. The usable area was 39.3 square meters, the wall was 24 cm thick hollow masonry, and the room surfaces were prefabricated concrete panels. The heat collector circuit supplied hot water from thirteen 2-square meter tube and plate collectors to a 3-cubic meter storage tank. Other than use of a water pump to pump water to the collector, natural circulation was used. The rooms used floor-type diffuse radiative heating. Preliminary testing was carried out in the winter of 1978 with some success. Figure 10 [not reproduced] shows an active solar house.

The Qinghai Standard Construction Design Office has designed and built a 5-story office building in Xining. The building has a total area of 3,274 square meters, with solar heating equipment used for 702 square meters. Combined passive and active heating was used. A south wall collector window and the building's own collection and storage capacity were utilized, and at the same time a collector was used to provide heat. It is claimed that 85 percent of the required heat can be provided by the systems in the winter, with the active and passive systems each providing half the amount. Tests were made in January and February 1979, and the design requirements were met.

Many organizations such as the East China Institute of Engineering, the Henan Provincial Coal Mine Design Institute, the Beijing Municipal Institute of New Technology and the Beijing Construction and Installation Company, the Nanchang Scientific Research Institute, the Ningbo Dongfanghong Cloth Factory and Tianjin University have all experimented with solar ice production. Some equipment was shown at the exhibition.

Cooling equipment includes a solar collector, an absorber, an evaporator and a condensor. All methods tested so far use ammonia absorption cooling. But there are two types, intermittent and continuous. The intermittent type absorbs solar energy in the daytime and uses it for cooling at night. The Beijing Municipal Equipment Installation Company and the Beijing Research Institute of Chemical Engineering have experimentally developed such equipment and have successfully tested it. The performance figure currently achieved is 4.5-5.3 kg of ice per square meter of collector, with an ammonia solution concentration of 54 percent. The device is shown in Figure 11 [not reproduced]. It is provided with wheels so that it can be moved about. The manufacturing process is simple, and each unit costs about 1,000 yuan to produce. It can be used in rural villages or areas with no electric power. Based on this, these units and the Beijing Institute of New Technology and the Beijing Industrial University cooperated to develop a solar refrigerator using a flat plate collector and a tracking device. By increasing the collector temperature, they can now produce ice in the daytime, and have achieved their goal of continuous operation. The flat plate collector has

an area of about 8 square meters, and the refrigeration capacity is 1,000 kcal per hour; the refrigerator temperature can reach 5°C in summer. The East China Institute of Engineering began its research on solar ice production in 1976, and in 1979 it improved and serviced its equipment, which has now been put into operation in intermittent refrigeration; in sunny weather the inside temperature of the refrigerator differs from that of the surroundings by as much as 36°C, or by a minimum of 22°C. The device is shown in Figure 12 [not reproduced].

The refrigerating installation developed by the Henan Institute of Coal Mine Design and the Jiyuan Coal Mine is relatively large, with a collector plate area of as much as 50 square meters, and has a cooling capacity of 2,321 kcal per hour. It has just been constructed, and during testing it produced 15 kg of ice in a day.

As regards solar air conditioning, such organizations as the Guangzhou Institute of Energy Sources, the Air conditioning Department of the Beijing University Institute of Construction, the Chongqing Institute of Construction Engineering and Chongqing University are actively pursuing work in the problem.

Use of Solar Energy in Agriculture

Research on the use of solar energy in agriculture has made gratifying progress. In particular, the scope of research and experimentation on solar drying has been extensive, and experimentation is under way not only with the drying of grains and cereals, but also with the drying of agricultural sideline products and wood. Epoch-making drying equipment based on our country's needs has been developed. Although it is not fully adequate in terms of economics, structure, layout and theory, it will be studied and further developed. However, the laying of this foundation is particularly commendable. But not much research work is yet under way on solar irrigation pumps. There are some other extensive areas, such as seed breeding and insect control, in which more penetrating research must be done.

Grain and cereals drying is an important stage in the grain industry, and as the Harbin Municipal Research Institute of Grains pointed out, most of the direct drying methods which use coal both consume energy and can affect grain quality. The drying of product grain also presents a problem as regards grain protection. Because the moisture content of product grain processed in winter is high, by spring it generally begins to heat up and mold, causing great losses. Moreover, such grains as husked rice cannot be directly dried in a coal-burning drying oven. Accordingly, current drying methods do not meet requirements, and the solar drying method is capable of solving both of the abovementioned difficulties.

The drying machines that have already been developed and tested have come primarily from the grain storage departments. The Yantai Grain Office, Shandong, began development work in 1976, and by 1977 had developed the TH-8 moving solar dryer. In 1978 it made improvements and added a tracking mechanism, producing the TZH-40, shown in Figure 13 [not reproduced]. It uses a columnar parabolic mirror and concentrates the sun's rays on a revolving drum through which the grain flows,

raising its temperature and making it possible to achieve the twin aims of decreasing moisture and killing insects. The total reflecting surface of the parabolic reflector is 40 square meters. Drying experiments indicate that when the air temperature was 27-29°C, the temperature of corn on introduction was 24-26°C, and the moisture content was about 12 percent, the output temperature was 56-58°C and the moisture content had dropped to about 10.5 percent. The capacity is 1,270-1,380 kg per hour. The Xingtai County Storehouse, Hebei Province, has also developed a grain drying machine, in which the focusing principle is similar to that of the Yantai machine. Its main distinguishing feature is that after the grain is warmed in the revolving drum, it enters a "recovery cooling system." The system includes a recovery tank and a cooling trough and is helpful in decreasing moisture content. The grain temperature reaches 40-60°C, and the moisture reduction is 1.5-2.5 percent, with insect killing effectiveness about 95 percent. The Xingtai TH-90 solar grain dryer is shown inside the front cover [not reproduced]. Its daily capacity is 20-25 tons.

The Jilin Provincial Institute of Agricultural Machinery and the Grains and Oils Research and Inspection Institute have jointly developed a combination solar dryer and far infrared dryer which uses a 5 square meter columnar parabolic reflector and a 10 kW far infrared drying unit. Preliminary experiments have shown that in both slow low-temperature drying and rapid high-temperature drying of grains, the dryer improves efficiency and decreases electric power consumption, being capable of saving more than a third on electricity. The combination unit is shown in Figure 14 [not reproduced].

During the development process a question of universal significance was brought up. Because the grain drying business is extremely seasonal, if grain dryers are used only to dry grains, their period of utilization is very short, so it is possible that the energy collected in several years' operation is less than the energy consumed in producing the machine, including the materials it contains. This not only is uneconomical but does not help save energy. Accordingly, in solar dryers the collector and the drying section should be separate and a way of using the solar collector part year round should be devised. This problem appears extremely important since it involves the direction of development of solar equipment.

The China Agricultural Engineering Research and Design Academy and the Daxing County Institute of Agricultural Machinery have conducted tests on multiuse agricultural solar devices in Daxing County, Beijing Municipality. Using a flat plate collector with a surface area of about 74 square meters, they built a glass solar greenhouse with an area of 194 square meters, in addition to which they set up two cylindrical grain drying containers with diameters of 4 and 6 meters. In winter and spring this set of equipment is used as a solar greenhouse, and in summer and fall it is used as a solar dryer; it can ordinarily be used to supply water to a shower room. This multiuse installation has just been set up and some preliminary tests were made, but the conception was exploratory in character and it can be considered as a program for solving the problem of year-round solar collector use described above. It would also seem that the columnar parabolic collector would have a wider range of uses than the flat

plate type. Nanchang City Scientific and Technical College has produced a combination solar and methane powered drying installation used to dry agricultural products, which has produced some good results in tests.

In its use of solar power to dry agricultural products, Shandong Province has already made excellent progress and has discovered some superior qualities of solar drying. Jishan County, Shanxi, set up a solar drying shed 9 meters long and 5 meters wide with its glass inclined at 36° and a usable surface of 54 square meters. The single layer of glazing emitted light, the north wall was insulated, and the south wall was also appropriately provided with glass to admit sunlight. A semi-mechanized drying frame was installed inside the shed. This drying shed has already been in use for 2 years and has dried more than 30,000 jin of red dates. The color of the product is bright red and the quality is better than that of sun-dried or oven-dried dates. This drying shed is also used to dry other fruit such as apricots and plums. Solar drying equipment can also be used for drying tobacco. The Institute of Mechanics and the Henan Province Machinery Research Institute constructed a solar dryer in Changge County, Henan, in 1977 to cure tobacco, and after continuing research and improvement, in 1978 they set up a combined solar and coal-burning drying shed which could carry out the complete tobacco drying process. The usable area of the solar drying shed is 50 square meters and the quality of the experimentally cured tobacco was excellent. The drying shed is of simple design and is shown in Figure 15.

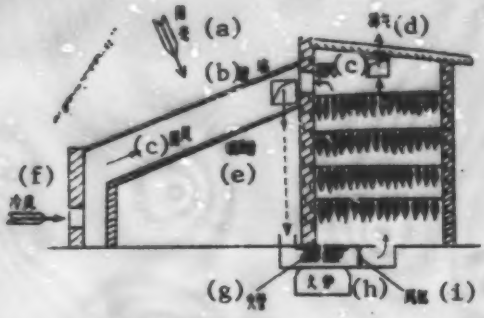


Figure 15. Combination dryer structure for curing tobacco

Key:

(a) sun's rays
(b) glass
(c) air return
(d) air outlet
(e) absorbing surface
(f) cold air
(g) fire tubes
(h) furnace
(i) blower

In all solar drying installations there is a moisture problem; the Yantai and Xingtai grain dryers described above as well as the drying sheds all failed to solve the problem efficiently. It is clear that if forced air ventilation is used, heat will be lost and efficiency will decrease. If the unit is tightly closed or natural ventilation is used, it is difficult to remove the moist air and prolonged curing or drying will be necessary, and the drying results may

even suffer. Accordingly, the solar drying process includes some theoretical problems meriting investigation. Jiangxi Normal Academy has carried out preliminary studies on this problem and has conducted some experiments. It has developed experimental box type, chimney type and natural ventilation type solar dryers, and carried out experiments with the drying of various agricultural products. But the experiments indicated that they had still failed to solve the moisture removal problem, and accordingly they held a discussion and made suggestions for improvements.

Xia County and Linyi County, Shanxi, have experimented with focused pulse solar seed breeding; their seed breeding machine uses a columnar parabolic reflector similar to that used in grain dryers. The seeds are turned over in a rolling drum in the focal region and receive intermittent radiation. In 1977 they conducted experiments on cotton and corn and obtained rather good results. In 1978 they disseminated them for testing, and several dozen units carried out experiments with cotton, corn, wheat, millet, soybean and vegetable seeds, achieving a certain increase in yield in all cases. It is worth pointing out that all these are straightforward comparison experiments which aim both at studying the basic theory of irradiation of plants and at a deepened study of the equipment and of the effects of such factors as the concentration of light, length of irradiation and period of intermittency on the yield. In addition, research has also been done on solar heating of pens in pig raising and solar heating of water in fish ponds for agricultural use.

The Beijing Institute of New Technology and the China Scientific and Technical College have done some theoretical analysis regarding solar irrigation pumps, and have made an analysis of the Sitelin [2448 3676 2651] cycle as a water pump heat mechanism.

Other Uses of Solar Heat

Our country has also achieved many scientific results in other uses of solar heat.

Experimental installations for solar drying of wood and the use of solar energy to cure concrete are already in existence. The Research Department of the Daqing Construction Company used a wooden collector made of boards 2 cm thick with its inner walls blackened with ink, with a glass or plastic cover, and surrounded by 10 cm thick pearlite insulation to maintain the box at an average temperature up to 60°C. Initial tests indicate that given an average exterior temperature of 20°C, and an initial curing cycle of 8-9 days, using solar energy the curing process can be decreased to 4-5 days. Cured structural members have good strength and the proper color and have not exhibited water loss, cracking or contraction on drying. The China Scientific and Technical College has designed a solar wood drying kiln consisting of a collector, a drying chamber, a storage-collector and a storage tank; a flow diagram is shown in Figure 16. Its distinguishing feature is the collector (diagrammed in Figure 17). This kiln can dry 4.5 cubic meters of wood per load. Generally natural drying is used for wood, with the moisture content decreased in 7-10 days to the fiber saturation level (approximately 30 percent moisture). But to further decrease the moisture content by natural drying requires storage for a very long period. The purpose of

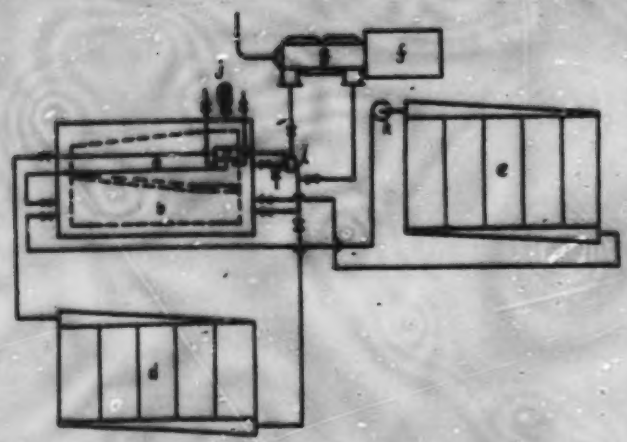


Figure 16. Flow diagram of wood drying kiln

Key:
a. drying chamber
b. heat storage chamber
c. air mixing tank
d. main collector
e. storage-collector
f. furnace using wood scraps
g. smoke-air heat exchanger
h,i. centrifugal blower
j. axial blower

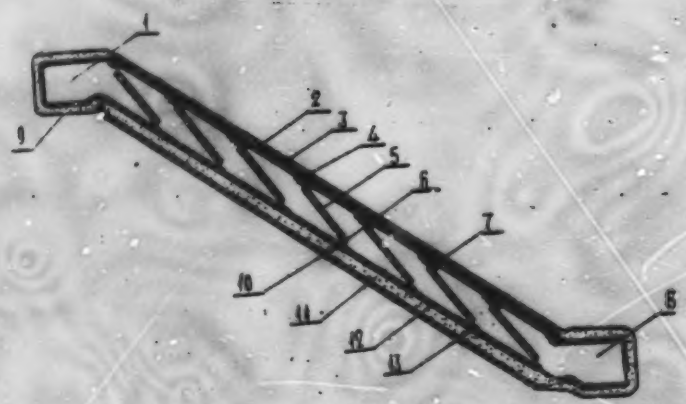


Figure 17. Collector of drying kiln

Key:
1. outlet box
2. first layer of glazing
3. second layer of glazing
4. wood frame
5. perforated plate
6. filler strip
7. upper support
8. outlet box
9. Box insulation layer
10. backing
11. insulation
12. back wall
13. lower support

the wood drying kiln is to bring the moisture content down from 30 percent to 14 percent, near the equilibrium water content, in a short time. Accordingly, a solar wood drying kiln is highly useful for woodworking plants. Fuyang, Huoshan and other counties in Anhui Province have already built experimental kilns. Of course, these experimental kilns still require alteration and improvement. The Guangzhou Energy Institute has made experimental studies of air collector for use in drying wood.

The China Scientific and Technical College has developed a solar sterilizer consisting of a conical reflector and a sterilising cylinder, as shown in Figure 18 [not reproduced]. Because it can be used for high temperature sterilization at a certain pressure, the time required can be greatly shortened.

The Jilin Medical Institute has developed a simple solar infrared physiotherapy machine designated the JTL-1, which is shown in Figure 19 [not reproduced]. The treatment temperature in this machine is 37-45°C, and the radiation supplied is in the 0.7-2.5 micron range. The infrared radiation flux delivered is higher than that delivered by electrical IR physiotherapy devices. Clinical tests indicate a short-term effectiveness rate of 95.1 percent.

Several units, such as the Dukou No 19 Metallurgical Construction Company, Sichuan, and the Qufu Normal Academy, Shandong, have developed solar steam boilers. The Dukou solar steam boiler is shown in Figure 20 [not reproduced]. It uses a spiral tube structure, so that it can rapidly produce evaporation. The parabolic reflector used has a diameter of 4 meters, and the temperature at the focus is as high as 1,050°C. But this is just a preliminary trial, and experimental results in continuous operation and actual use have not yet been obtained. The Qufu Normal Academy developed its solar boiler jointly with the local supply and marketing cooperative. The parabolic reflector is 8 meters in diameter, and the temperature at the focus can reach 1,150°C. It can produce 38 kg of steam in an hour at a maximum pressure of 4 atmospheres, and it has already been put into practical use in the processing of pickles and in providing steam for a dining hall. The Solar Energy Office of the Xi'an City Scientific and Technical Committee has built a solar boiler with a 6 meter parabolic reflector at the Xi'an Zoo. The reflective surface is made of small glass mirrors, and the boiler power is over 10 kW; it can produce 20 kg of steam an hour.

The Haian County Institute of Solar Energy Use, Jiangsu Province, has already provided three solar welders. The TH-773 welder is shown in Figure 21 [not reproduced]. Its reflector is 2.5 meters in diameter and the focal area is 30 mm in diameter. The maximum temperature is 2,000°C, and it can weld 25 x 25 mm cutting tools less than 175 mm long in about 3 minutes. The welder has already undergone preliminary testing.

The South China Engineering Academy has set up two solar furnaces, models I and II, at the school. The two furnaces use searchlight reflectors as collectors. Model I is shown in Figure 22 [not reproduced]. Its parabolic reflector is 95 cm in diameter, and uses an electric tracking motor. The temperature in the heating area has a gaussian distribution, with a maximum of 3,000°C. A testing clamp is fitted above the furnace and can be used to test high temperature materials, to weld platinum-platinum-rhodium thermocouple contacts and to heat high melting point crucibles.

The Guangdong Energy Research Institute has developed a ceiling-type seawater desalination device which has been set up on Gongwushou Island, Hainin. The reflector area is 385 square meters and the daily fresh water output is 1 ton. Later a 58 square meter experimental desalination device was built in on Zhongjian Island in the Xisha chain and a 7.8 square meter water desalination device on Yongwu Island. These experiments showed that solar desalination was practicable. But thorough research into efficiency and economic capabilities is still needed. Expanded tests have already been carried out.

In order to carry out scientific research on the utilization of solar energy and to expand its applications, it is highly necessary to develop solar energy simulators, instruments for measuring solar radiation and instruments for measuring other characteristics. At present, little work has been done in this area in our country. Plant No 529 of the 7th Machine Building Ministry has proposed to develop a solar simulator and Research Institute No 322 in Jinzhou has developed a combination solar radiation telemetering and recording device.

Relatively little work has been done in this country on energy storage and hydrogen production. The Dalian Institute of Chemical Physics has begun studying hydrogen production by catalytic photolysis of water, and it believes this to be a promising storage approach. The Institute of Photosensitive Chemistry is currently carrying on research in hydrogen production by photolysis of water. The Gansu Institute of New Energy Sources has conducted tests on solar energy storage in brine pits.

Photovoltaic Use of the Sun, and Solar Cells

The development and popularization of a solar electric fence is a rather striking achievement in solar photovoltaic cells by our country which is of great importance for the expansion of our country's livestock industry and the development of grasslands. The China Agricultural Engineering Research and Design Institute No 6 of the 4th Ministry of Machine Building, the Xinhai Lamp and Lantern Plant in Shanghai, the Chengdu No 3 Radio Plant, the Inner Mongolia Electronics Research Institute and the Jilin Special Products Research Institute have made a major effort and have developed solar electric fence equipment. This equipment uses direct current produced by a solar battery to feed a pulse generator which powers the electric fence. After livestock have once come in contact with the fence, they do not dare approach it again, so that livestock can be raised in an enclosure or grazed in separate areas. The solar cell bank was developed by the Xinhua Lamp and Lantern Plant, Shanghai. Its area is 720 square centimeters; the short circuit current is 1.5-1.8 amperes, with an open circuit voltage of 14.8 V. It is equipped with a tracking mechanism, and the solar cell bank can be kept constantly pointed toward the sun. The pulse generator was developed by the Chengdu No 3 Radio Plant and the Inner Mongolia Electronics Research Institute. These devices were tested by the Jilin Special Products Research Institute in a deer grazing area, with large and small enclosures; the large enclosure had a perimeter of 6,000 meters. The primary purpose of the tests was to observe the deer after they were shocked by the pulses, to find the proper fence structure, and to test the characteristics of the power source and pulse generator. In addition, electric fences from Australia and New Zealand were used in comparison

tests. The test results were excellent. The product experimentally developed in this country had characteristics approaching those of the foreign products, but it was rather unwieldy and not easily portable.

The Scientific and Technical Committee of the Ministry of Railroads has used a silicon solar cell in railroad signal equipment with successful results. Our country's railroads are of immense extent, with nearly 5,000 stations, and some have no AC power source, so that storage batteries or even oil lamps have to be used for the signal equipment, which is both uneconomical and deleterious to safety. In 1975 the Guangzhou Railway Office and the Guangzhou Institute of Electromechanics tested a solar cell on a warning signal device in the Loudi rail yard. Later the Ministry of Railroads installed a 600 watt silicon solar cell as a power source for signals at the Ketu Station on the Qinghai-Tibet Railroad, obtaining excellent test results. Use of solar powered rear signal lights gives a longer visibility range, which improves traffic safety. Currently 50 stations have already installed solar cells. But at current prices solar cells are more expensive than storage batteries, the initial investment is larger and the efficiency is not high, so that their use has been limited.

Another area of use of silicon solar batteries is on navigation markets, for which they are already being extensively tested. The Tianjin Navigation Routes Bureau is already using solar cells on 13 light buoys. The power of the bank currently used is 14.7 watts; it powers 9-watt flashing lights which are illuminated for 0.3 seconds and dark for 2.7 seconds, using a 100 ampere-hour nickel-cadmium storage battery. The cells have already been tested for a long period and have shown their reliability. In 1977, the No 1418 Research Institute and the Tianjin Navigation Routes Bureau jointly developed a 290 watt solar cell bank as a lamp pole source for a 150 watt bromine tungsten lamp. After 2 years of test operation it is considered to be reliable.

In addition, solar batteries are also used as communications power supplies. For example, the DT6-1 solar communication power supply developed by the Fujian Province Postal Research Institute can provide 12/24 volt power to rural single-wire and three-wire carrier wave telephone equipment. This equipment uses a Wensidum [phonetic] collector device, which decreases the amount of silicon wafers required and increases output power. In tests with the solar battery, the voltage was stable and the operating characteristics were excellent. Figure 23 [not reproduced] shows the communications power source.

Several plants in this country are already producing silicon solar cells; most of them are using reject monocrystalline silicon as a starting material, and although efficiency is rather low, the cost is also low. The Kaifeng Solar Cell Plant, which described its experiences at this experience-exchange conference, had great difficulty in getting started, but currently is producing low-cost high-quality silicon solar cells. The conversion efficiency of the solar cells which this plant produces from reject monocrystalline silicon has already been increased from 5 percent to 10 percent, and some of the wafers have an efficiency as high as 12.05 percent.

However, our country's current technology for silicon solar cell manufacture is still at a rather low level, and investigation of various new types of technology is under way, while efforts are also being made to develop a new type cell.

The Tianjin No 1418 Research Institute has already made excellent progress in its research on improving solar cell efficiency, with its top samples reaching more than 15 percent, while the maximum figure for the matte surface cells which it developed is 14-14.5 percent (AM_0). It has also developed an MIS solar cell which, although at present it has an efficiency of only 3.1 percent, has promise for the future. Because the process for producing the MIS cell is much simpler than that for monocrystalline PN junction cells, it may be possible to lower the production cost of silicon solar cells considerably.

In order to improve silicon cell banks, the Xinhua Lamp and Lantern Plant, Shanghai, has proposed the use of reflector cells. A flat reflector can be used. The plant has already developed a solar powered black light insect trap lamp using such a solar reflector, whose production cost was greatly decreased owing to the fact that it used fewer cells. Figure 24 [not reproduced] shows the TH769-2 solar powered black light insect trap. While on display at the exhibition, the device attracted the attention of American experts who thought it could be used extensively in trapping and killing harmful insects. Another concentrating method is the use of a Fresnel lens. The plant has also experimentally produced a Fresnel lens concentrator solar cell bank with a light gathering power of 12 and a power output of 28 watts, which greatly decreases the number of silicon wafers used, from 1,400 (10 x 20 mm wafers) to 144, thus greatly decreasing production costs. Foreign experiments have been conducted on the use of solar cells to produce both electricity and heat. Silicon solar cells cannot withstand high temperatures, so that if a parabolic reflector is used, and the light gathering power is high, when the temperature becomes high water cooling may be used and the resultant hot water can also be utilized. This method may be a possible approach to high power silicon photocell banks. Currently no experimentation on the subject has been pursued in our country.

The Guangzhou Institute of Electrical Engineering has carried out studies on series and parallel connection of solar cells and their combination with storage batteries. A bank of solar cells was combined with a manganese-zinc battery in a lighthouse at the Zhongshan Point ship passage, Guangdong. It has already operated normally over a long period. The Zhangzhou No 1 Radio Plant, Fujian Province, improved solar cell grid connections, increasing efficiency. The solar bank produced by the plant has been used as a power source for a television differential rotator.

A research development in new solar cell technology which has already achieved some success is the matte surface solar cell developed by the Xi'an Communications College, in which reflection losses are greatly decreased, resulting in a rather large increase in the efficiency of the cell. In initial testing, the matte surface cell capabilities were excellent.

Research has already been done in this country on ion injection NP silicon solar cells, with some success.

Such organizations as the Changchun Institute of Applied Chemistry, Zhejiang University, the Shanghai Institute of Silicates, and the Shanghai Lamp and Lantern Plant have already investigated cadmium sulfide cells for a long period and have made progress in both increasing conversion efficiency and improving stability. Some research has also been done on gallium arsenide cells.

Solar Heat Power Generation, Basic Theory and Materials

The development of applied solar technology and attention to current applications such as solar ovens, solar hot water heaters, solar drying equipment and the like can unquestionably result in savings of conventional energy sources and provision of urgently needed power and thus is very important. But taking the long view, utilization of solar energy cannot remain too long in the auxiliary power source stage. As technology advances, and in accordance with the requirements of the energy situation, solar power will gradually become an important energy source. Accordingly, basic research is also very important, and some organizations in this country have already done work in this area and have made some progress.

Analyzed in economic terms, solar heat use in electric power generation is currently of little value. The fact is that collecting the solar radiation requires an immense installation which consumes large quantities of materials, and the construction costs far exceed those of conventionally powered or nuclear power stations. But from another viewpoint, because the technological requirements are high and the difficulty great, it requires a relatively long period of technical preparation, and it seems highly necessary at present to start some small-scale experiments focusing on materials and components and basic theory. Currently, the Shanghai Machine Building Institute, Tianjin University, the Institute of Electrical Engineering, and Qinghua University are already pursuing experiments and research in electric power generation with solar heat or are beginning such work. The Shanghai Machine Building Institute began power generation experiments in 1975 using a combination of a flat plate collector and a columnar parabolic collector. An experimental installation with a capacity of 1 kilowatt has already been completed and has achieved the predicted characteristics in tests. The 1 kW solar power station is shown in Figure 25 [not reproduced]. This experimental power station has already been used for optical experiments, water heating measurements and air conditioning experiments.

Tianjin University is also about to construct a 1 kW tower type solar power station. During the construction process, all components were tested, the geometric characteristics and heat transmission characteristics of the light absorbers were investigated, and a mechanical drive for the tracking system, a stepped motor for the tracking system and a power supply for the stepped motor were developed, laying the foundations for the construction of an experimental power station.

The Electrical Engineering Institute is beginning extensive theoretical studies for selection of a solar heat electric power generation program. It has already submitted a preliminary theoretical analysis of the characteristics of the defocusing of a parabolic reflector resulting from oblique light incidence, an analysis of the heat collection characteristics of a mixed collector, and of a

heliostatic tracking scheme. More important, it has made a proposal to investigate "natural energy resource ensemble," which is generalized comprehensive utilization of solar energy. Depending on the different natural conditions in the various regions of the country, this ensemble can include solar energy, biomass energy, wind power and small electric power stations, can exploit the advantages of various power sources and supplement their shortcomings, and can convert them into electric power and supply it to mountain regions, the countryside and outlying districts. The installations which combine several different energy sources described above may serve as prototypes for this natural power ensemble.

As regards the collection of solar heat energy, the investigation of solar heat power is not limited to the generation of electricity; it can also be used for irrigation, air conditioning and other areas which require high or medium temperatures.

The Shanghai Automotive Parts Repair and Supply Plant has produced a Sitelin heat engine which it exhibited at the exhibition, attracting considerable attention. It is shown in Figure 26 [not reproduced]. The heat engine was combined with a JF-11A silicon DC generator for tests, and it successfully produced electricity. Combined with a 2.5-meter diameter dish type parabolic reflector, the heat engine uses nitrogen as its working medium; it produced 42 watts of electric power in May sunlight in Shanghai.

With regard to the theory of electric power generation with solar heat, Nanjing University has proposed a key question with regard to solar heat electric power generation efficiency, and the Institute of Electrical Engineering has submitted articles on the principles and testing of a magnetic field modulation variable-speed constant-frequency stable-voltage generator.

Much research work has been done on materials. The Shanghai Institute of Silicates has made considerable progress; with regard to selective absorptive coatings, it developed a matte coating with an absorptivity α_s greater than 0.95. The absorptivity of this coating is independent of the angle of incidence of the solar radiation and is suitable for flat plate collectors. It has also developed electroplated black nickel which can be used on medium temperature solar collectors at 120-160°C with an α_s/ε_h ratio of 6.5, suitable for air conditioning and cooling. Research is also proceeding on some new absorbing materials. In the materials area, it has developed direct vacuum aluminizing of glass fiber reinforced plastic sheets, and the use of an organisilicon resin as a protective layer with a reflectivity as high as 0.9. It has also developed a shiny anodized reflective surface. As regards insulating materials, it has developed a polyester or polyimide film which is aluminized on both sides and a laminated insulating material made of nylon or polyester netting which can be used at 100-150°C. There is also a laminated insulating material consisting of nickel foil and alkali-free glass fiber cloth which can be used to 800°C.

In order to investigate combination of solar collectors and improvement of their efficiency, much effort has been spent in investigating selective absorption coatings and determining their capabilities. The Coatings Research Department of the Tianjin General Paint Plant has carried out tests of various black coatings and has concluded that the absorptivity of coatings is not only related to

the base material and the filler of the paint, but even more importantly is related to the absorbing pigment. Some black paints with excellent absorption characteristics also have high emissivity and accordingly are not selective. The plant has already developed a relatively good selective coating material. The Beijing Institute of New Technology has determined the absorption characteristics of black lead sulfide asphalt coatings; the Beijing S Chemical Engineering Academy has also investigated lead sulfide selective coatings. The No 6 Design Institute of the 5th Ministry of Machine Building has carried out research on copper oxide coatings, the Beijing Institute of New Technology on black chromium coatings, Wuhan Institute of Building Materials on black nickel coatings, and the Institute of Mechanics on iron oxide coatings. These coatings all require testing in actual use, because the coating requirements of collectors for different purposes are different; and more importantly, it is necessary to carry out technical and economic analysis and determine their characteristics and their ranges of use. The characteristics of these coatings are shown in the following table:

Characteristics of Experimental Coatings

Name of Selective Coating	Developer organization	α	ε	Remarks
Lead sulfide	Beijing Chemical Engineering Academy	0.85-0.91	0.23-0.40	Spray painted, usable to 260°C
Iron oxide	Institute of Mechanics	0.89 0.85	0.17 0.13	By immersion. Sodium nitrate used as oxidizer, 3 minutes treatment at boiling temperature of 123°C
Black chromium	Beijing Institute of New Technology	0.94	0.10	Electroplated; has excellent heat resistance
Black nickel	Wuhan Academy of Building Materials	0.87	0.061-0.064	Electroplated over an electroplated silver layer; already used experimentally on solar boiler
Copper oxide	No 6 Design Institute Fifth Ministry of Machine Building	0.88	0.18	Producted directly on copper items by oxidation, or by copper plating followed by oxidation; copper oxide surface is polished

Our country has not yet done much theoretical research on use of solar power; most of what has been done has emphasized theoretical studies of measurement and testing and combined utilization. A teacher in the Xi'an No 30 Middle School has carried out theoretical analysis and research on fixed-mirror solar energy concentration, and has proposed the use of the principle of flat stepped lenses in solar power (the article has been published in the journal WULI [PHYSICS]). Qinghua University has done some investigation in heat engineering, and has produced articles on using the exergic parameters to evaluate the performance characteristics of collectors, on exergic analysis of stage matching of solar motive power installations and on calculation of the solar reliability factor f. Some studies of testing methods and instrumentation have been made; the China Scientific and Technical College has investigated unstable state calorimetry to determine the strength of solar radiation, the Guangzhou Energy Research Institute has investigated calculation of the angle of incidence of solar radiation on an inclined surface, and Plant No 509 of the 7th Ministry of Machine Building has investigated a spherical integrator, monochromatic solar energy absorptivity measurement, and a calorimetric method of determining hemispherical radiativity. Basic theoretical research will become steadily stronger as questions arise during the process of utilization of solar power, and under the guidance of theoretical research it will be possible to conduct research and development, particularly as regards solar radiation and electricity.

The foregoing shows that technology for the use of solar energy has developed rather rapidly in this country, but it must also be recognized that at present we are just beginning, and accordingly much work still remains to be done. We should like to quote Vice Chairman of the State Committee on Science and Technology Wu Heng [2976 5899] to conclude this article: "At present, converting solar energy to heat energy or the use of solar cells to convert it directly into electrical energy does not involve any special technical difficulties. The reason why it cannot be put into extensive use is primarily that the cost is still higher than that of conventional energy sources. Accordingly, we should strengthen our basic theoretical research, carry out intermediate testing well, and grasp the key aspect of materials research, doing everything possible to raise the efficiency of equipment for using solar power and to decrease its cost. Scientific and technical workers should be good at linking up with the results of developments by the masses, should persist in acquiring materials locally, should base themselves on the real situation in our country, should take the route of using solar energy themselves, should carry on their work steadily and persistently solve problems, and should strive to make the work of utilizing solar energy develop in a healthy fashion."

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MINERAL RESOURCES

HUGE URANIUM DEPOSIT FOUND IN HUAGANG CRAG

Beijing RENMIN RIBAO in Chinese 30 Aug 80 p 1

[Article by Li Weiyao [2621 1218 1031] and Zhang Yousheng [1728 0645 3932]: "Tan Mutao Opens Up a New Realm by Finding Uranium in Stratum of Huagang Crag"]

[Text] Our country has found a large uranium mine in the Mesozoic Era's broken rocky stratum of Huagang Crag. Engineer Tan Mutao [6007 1970 7118], director of the Guangdong Provincial Bureau of Geology, contributed to the discovery and verification of this uranium mine.

In the past, some foreign experts had categorically asserted: "There are no large mineral deposits in the Mesozoic Era stratum of Huagang Crag" and "One cannot drill more than 200 meters into Huagang Crag." A regional geological survey team, however, discovered many unusually radioactive points (belts) in Huagang Crag of the Nanling Mountains. Geological Team 705, whose mission is to find uranium, immediately began prospecting. Tan Mutao, as the technical responsible person on this team, personally directed the prospecting and drilling, and, in less than 4 years, handed over to the state a big uranium mine.

To solve the mystery of whether there was a mineral deposit in the Mesozoic Era stratum of Huagang Crag, Tan Mutao began by summing up his experiences in searching for mineral deposits, and then led the geological personnel in scaling sheer precipices and overhanging rocks in order to investigate outcroppings and drill tunnels, gathering and putting in order several hundred thousand words of firsthand material. After analysis and study, he confirmed that about 1 million years ago there were many violent movements of the earth's crust here (the so-called Yan Mountain Range activity). Huagang Crag, a product of the later period of this activity, contains thermoliquified uranium [youreye 6914 3583 3210], which from deep in the earth's crust runs along a fault line up to the earth's surface, forming a mineral deposit. By mastering a great amount of data, he was able to draw a circle around a 76-square kilometer mineral field and to draw up a 7-year plan for it. From the end of 1965 to 1966, the Ministry of Geology mustered its forces to explore, on two occasions, the No 9 hole picked out by Tan Mutao on the mineral vein. After more than a year, the ministry, overcoming all sorts of difficulties, verified that there was an especially large uranium vein centered on the No 9 hole. From 1967 to 1979, Geological Team 705 handed over to the state large industrial reserves of uranium.

In 1979, Comrade Tan Mutao was a member of our country's uranium geological delegation that went to America, and he attended the annual symposium on uranium of the American Petroleum Geologists Society, at which he read his scientific paper on "Geological Features and Formation of Thermoliquified Uranium in Huagang Crag of the Nanling Mountains." The scientists at the symposium thought highly of and commended his paper. In April of this year, he was elected to be a model worker in the national geological system.

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BRIEFS

HUNAN COAL STOCKPILING--Hunan Provincial station carried a short commentary on 19 October on solving the problem of coal stockpiling at some mines. The short commentary said: (Youmasi) Coal Mine has done well in the sale and transport of coal, and has not had to stockpile any coal. One of the reasons for stockpiling coal is that the quality of the coal is too poor and the coal does not sell well. Therefore, we hope that all coal mines learn from (Youmasi) Coal Mine and increase their coal production while at the same time improve the quality of coal. In addition, the railway and transportation departments must help in transporting coal in order to solve the problem of stockpiling. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 19 Oct 80]

HEBEI COUNTY GOLD MINING--Shijiazhuang, 6 Nov (XINHUA)--Xinglong County, had extracted 2,940 liang gold and some 10,000 liang silver in the first 9 months of the year. [Beijing XINHUA Domestic Service in Chinese 0120 GMT 6 Nov 80]

XIZANG MINERAL RESOURCES--The Xizang Regional Geological Bureau has surveyed coal mines, geothermal energy resources, petroleum, copper mines and chromite in Xizang this year. The bureau has also divided these underground resources into districts and compiled a report on the divisions after studying hundreds of geological reports and scientific research treatises and making an overall analysis. [OW121403 Lhasa Xizang Regional Service in Mandarin 1100 GMT 6 Nov 80]

JILIN GOLD MINE--The gold geological survey station of the Jilin Provincial Geological Bureau recently verified a medium-sized alluvial gold mine near the (Jinchuan) River in Wangqing County. The gold mine has proved to be easy to exploit. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 7 Nov 80]

PROVINCIAL JOINT VENTURE--Guangzhou, 14 Nov (XINHUA)--Two units of Guangdong and one unit of Hunan have jointly set up an iron-manganese mine in February this year. Total investment is about 31,000 yuan. By mid-October, the mine has turned out 5,500 dun of iron and manganese ores. The total output value is more than 240,000 yuan, and the net profit reaches more than 97,000 yuan. At present, over 4,000 dun have been sold. [Beijing XINHUA Domestic Service in Chinese 0315 GMT 14 Nov 80 OW]

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NEED FOR MOTOR VEHICLE INDUSTRY IMPROVEMENTS DISCUSSED

Beijing RENMIN RIBAO in Chinese 31 Aug 80 p 3

[Article by Meng Xiongfei [1322 7160 7378] of the Urban Construction Bureau, Jiamusi municipality, Heilongjiang: "Manufacture and Use of Our Country's Motor Vehicles Must Be Improved"]

[Text] I have a 47-year history of dealing with motor vehicles, from repairing and driving to managing. I feel deeply that there are sectors in our country's manufacture and use of motor vehicles that urgently need to be improved.

After liberation, our country produced many factory brands and models of motor vehicles, the majority of which were unpleasing in shape and old-fashioned in style. For example, a Liberation car, from its first manufacture up to the present time--23 years--has been the same old model year after year. There have been no big improvements in this car, which is still at the level of the 1940's motor vehicle industry.

There is too much duplication in the test models and the structure of the motor vehicles produced by all plants. Changchun produces the Liberation car and Liaoning the "Liaoning No 1"; Beijing produces the "130," and Shenyang, Dandong, and other cities produce a car similar to the "130"; Jinan produces the "Huanghe" and Heilongjiang the "Longjiang." "I learn from you, and you copy me"--very few new trails have been blazed. Why can't we take in the advanced technology of all car manufacturers and learn from the successful experience of foreign countries?

For urban passenger vehicles, many units like jeeps--the Beijing jeep, Tianjin jeep--Liaoning jeep. These jeeps are well suited for use by the military or by mining and similar units, but as an urban vehicle, its drawbacks outweigh its advantages. The front-wheel drive jeep has an extra gear [fendongqi 0433 0520 0892]. Its manufacturing cost and fuel consumption are high. I have compared the fuel consumption of a beijing jeep and an imported sedan: the former consumed over one-third more fuel than the latter. Our country has the low-fuel consumption Shanghai sedan. If all cities in the country were to use it, and not jeeps, as a passenger vehicle, there would be a considerable saving of energy.

The urban and rural areas of the country are now, starting in small increments, making a big effort to save energy by installing in cars a series of fuel-saving devices. If, however, they do not grasp the key point, aren't they "picking up sesame seeds butoverlooking watermelons," i.e., concentrating on minor matters to the neglect of major ones?

I well know that it will be very difficult to substitute sedans for jeeps. For a long time, especially after the 10 years of turmoil, some cadres have thought that riding in small sedans was a sign of the special privilege mentality and riding in jeeps was a sign of the masses' mentality; they would rather use the high-fuel consumption Beijing jeep than the low-fuel consumption small sedan. Therefore, it is a task of top priority--in line with the spirit of seeking truth from facts and stressing the practical result of saving energy--to change this idea, which deceives oneself as well as others.

Furthermore, we can make checks on jeep distribution. With the exception of military and other necessary uses, the ordinary unit, without exception, should not be supplied with jeeps. As for the jeeps currently in use, we can obtain from the manufacturing plants a supply of ordinary sedans, and afterward from the state recall extra-gear, cross-country jeeps; the sedans will be assembled and exchanged for these jeeps. This action will yield twice the result with half the effort.

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BRIEFS

HEILONGJIANG INDUSTRIAL ENTERPRISES--In Heilongjiang Province, 129 enterprises were selected as experimental units to expand the power of self-management. From January to September, their industrial output value totaled 2,674,000,000 yuan and profits 476 million yuan, 18.1 and 29.4 percent respectively higher than the figures for the corresponding 1979 period. [SK020231 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 28 Oct 80]

ANHUI INDUSTRIAL PRODUCTION--Anhui's total industrial output value reached 1,025 million yuan in October, marking an increase of 5.1 percent over that of September. The output value for light industrial products in October rose by 9.7 percent over that of September, while the output value for heavy industrial products remained the same. During the third quarter, industrial production dipped due to floods and other reasons. However, the October figures clearly indicate a revival, thanks to the painstaking efforts of the workers in the field of industry and communications. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 9 Nov 80]

ANHUI WORK GROUPS--The Anhui Provincial People's Government has recently organized 25 cadres into three work groups to survey the progress made by various localities in the province in implementing the guidelines laid down by the provincial industrial and financial conference. Secretary of the provincial CCP committee Su Yu and vice governors Meng Jiaqin and Huang Yu spoke to the groups prior to their departure for the localities, calling on the members of the work groups to rely on the local party committees and people's governments to help various localities implement such guidelines and fulfill this year's industrial plan. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 9 Nov 80]

SHANXI COAL PRODUCTION--Taiyuan, 8 Nov (XINHUA)--As of 27 October, local coal mines in Shanxi had fulfilled the 1980 state coal production plan 64 days ahead of schedule with total output reaching 45 million dun, a 15 percent increase over the corresponding period of last year. According to latest statistics, some 20 million dun of coal have been transported from local mines in Shanxi to other provinces, municipalities and autonomous regions this year. [Beijing XINHUA Domestic Service in Chinese 0206 GMT 8 Nov 80]

HEILONGJIANG SMALL CHEMICAL FERTILIZER--Harbin, 10 Nov (XINHUA)--Heilongjiang has achieved great results in readjusting the small chemical fertilizer industry. As of October this year, the province had closed 15 small chemical fertilizer plants. However, the province's small chemical fertilizer output in January-October increased by more than 18,000 dun over the entire 1979 output. In addition, the production costs were reduced. [Beijing XINHUA Domestic Service in Chinese 0215 GMT 10 Nov 80]

NEI MONGGOL RARE EARTH--Hohhot, 10 Nov (XINHUA)--A rare earth dressing plant with an annual capacity of 5,000 tons has been completed, according to the China rare earth company at Baotou in Inner Mongolia. Two smelting workshops each with an annual capacity of 2,000 tons are to be expanded or rebuilt shortly. The company said it met this year's production quota for major products by the end of September. It is now turning out more than 40 products including rare earth alloys and low-grade ferroniobium. Businessmen from France, Japan, the United States and the Federal Republic of Germany have placed orders with the company for 1,200 tons of rare earth products. [Text] [Beijing XINHUA in English 1213 GMT 10 Nov 80]

ZHEJIANG DETERGENT PRODUCTION--As of the end of October, Zhejiang has overfulfilled the 1980 production plan of soap, washing powder, toothpaste and other detergents ahead of schedule. Compared with the corresponding period last year, the output of soap increased by 26.34 percent; that of washing powder 40.17 percent; and that of toothpaste 45.6 percent. Since the beginning of this year, while making every effort to increase production, all Zhejiang's detergent-producing plants have continuously improved product quality. The Xihu brand soap produced by the Hangzhou Dongnan Chemical Works and the Fenghuang brand soap produced by the Lanxi Chemical Works won first and second places respectively at the National Quality Appraisal Meeting. The Xihu brand soap was commended as a fine quality product of the light industry ministry. Xihu brand and Guangmang brand toothpastes produced by the Hangzhou Toothpaste Plant won the highest marks at the National Quality Appraisal Meeting. Xihu brand toothpaste was commended as a fine quality product of the provincial people's government. [Text] [OW160723 Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 16 Nov 80]

GUANGDONG ENTERPRISES--Since the beginning of this year, commune and brigade enterprises in Foshan Prefecture have developed quickly. By the end of August the prefecture had set up some 18,000 commune and brigade enterprises, whose total output value from January to August was some 630 million yuan, 25 percent more than in the corresponding period of last year. Zhongshan County now has some 2,600 commune and brigade enterprises. Since last year, Taishan County has set up 2,227 commune and brigade enterprises. From January to August, the total output value of all commune and brigade enterprises throughout this county was 35.24 million yuan, 62 percent more than in the corresponding period of last year. Their profits were nearly double the figure of the similar period of last year. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 15 Oct 80]

GUANGDONG INDUSTRY--Guangdong Provincial industrial production showed a large increase this year. From January to September, the total production value was fulfilled every quarter and has increased by 10.6 percent over the third quarter figure of last year. Light industry production value was increased by 16.9 percent over the same period last year and that of industries under the collective ownership system was increased by 22.3 percent. The light industry figures greatly exceeded the growth rate of heavy industry. The Guangdong Provincial Economic Committee recently held a meeting on provincial industrial production in order to insure greater production in the fourth quarter. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 21 Oct 80]

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CONSTRUCTION

BRIEFS

HENAN URBAN HOUSING CONSTRUCTION--From January to September, the housing construction area in urban, industrial and mining districts of Henan Province amounted to 3.37 million square meters, 28 percent more than in the corresponding period of last year. 1.145 million square meters of housing construction was completed, 63 percent more than in the corresponding period of last year. This alleviates the housing problem for about 30,000 households in urban areas. [Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 29 Oct 80]

LIAONING COMMODITY HOUSES--Shenyang Municipality, Liaoning Province, is stepping up the construction of commodity houses. Housing with 100,000 square meters in floor space is expected to be completed by the end of 1980. Units to be sold to workers total 46 square meters in floor space. Each square meter is valued at 150 yuan. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 5 Nov 80]

SHANDONG BUILDING MATERIALS--During the first 9 months of 1980, Shandong Province had fulfilled 126.2 percent of the annual plan for procuring building materials for export, an 18 percent increase over that of the 1979 corresponding period. [SK071030 Jinan Shandong Provincial Service in Mandarin 2300 GMT 6 Nov 80]

HEILONGJIANG HOUSING--Qiqihar Municipality, Heilongjiang Province, abolished the regulation prohibiting individuals from building houses in urban areas. By mid-October, 1,400 families had moved into houses built by themselves. The municipality has approved the applications of 1,530 families to build or expand their houses. This construction encompasses 83,000 square meters. [SK102030 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 8 Nov 80]

LIAONING RURAL HOUSING--In Liaoning Province, 150,000 peasant families have moved into new houses with 450,000 rooms. A 30-year record high. Next year 200,000 peasant families will build new houses. [SK102030 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 8 Nov 80]

LIAONING RURAL HOUSING CONFERENCE--The Liaoning Provincial Rural Housing Construction Conference sponsored by the provincial people's government ended 7 November. The conference pointed out that rural housing construction should be well planned to ensure that no good farmland is wasted. It stated that rural houses are built either with collective investments with the property right belonging to the public, or with individual investments with the property right belonging to individuals. Houses are also built in a unified way with public funds which are sold to individuals.

The conference efforts to assist in providing supplies for rural houses. [SK102030 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 8 Nov 80]

SHANGHAI CAPITAL CONSTRUCTION PROJECTS--Since the beginning of this year, more than 170 capital construction projects have been suspended or delayed in Shanghai in accordance with the policy of readjusting the national economy, thereby reducing investment by some 300 million yuan. Construction of some 200 new projects has begun this year to meet the needs of the light, textile, handicraft, power, coal gas, housing construction and building material industries, education, health work and environmental protection. Total investments for these new projects amounted to 3.9 million yuan. [Shanghai City Service in Mandarin 2300 GMT 8 Nov 80]

JIANGSU CONSTRUCTION MATERIAL--Jiangying County, Jiangsu Province, runs many small kilns and cement plants so as to achieve self-sufficiency in major construction materials in the countryside. At present, there are 30 kilns and 22 cement plants in the county's 31 communes. From January to September this year, some 400 million pieces of bricks and tiles and 110,000 dun of cement have been produced in the county. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 11 Nov 80]

CSO: 4006

BRIEFS

SICHUAN HOLDS DIRECTORS MEETING--The Sichuan Provincial Changjiang Enterprise Company recently held its first directors' meeting in Chengdu, which decided to absorb and apply foreign investment in a planned way and to increase exports and foreign exchange so as to contribute toward speeding up the four modernizations in the province. The company was established in accordance with the decision of the provincial people's government. It is a state socialist enterprise under the direct leadership of the provincial people's government. "The task of the company are, in accordance with the provisions of the law of the People's Republic of China on joint ventures using Chinese and foreign investment and other relevant laws and regulations, to absorb and apply foreign investment in a unified way, to organize and coordinate talks in a unified way between local enterprises and foreign investors on joint ventures, and on concluding and signing agreements to directly take part in joint ventures, put forward suggestions on relevant laws and regulations on investment and foreign exchange control and give advice on other forms of economic cooperation. The investment projects undertaken by the company will provide greater foreign exchange. The company adheres to socialist principles and acts in accordance with economic laws. The company has been established in Chengdu and its working capital is 100 million yuan. The organ of supreme power of the Changjiang Enterprise Company is the board of directors. The provincial people's government appointed Tong Shaosheng as chairman of the board of directors and (Han Bo) as vice chairman. The first meeting of the board of directors designated (Han Bo) as the general manager and (Ding Hongsheng) and (Yue Yun) as deputy general managers." Since the Sichuan Provincial Changjiang Enterprise Company was established in May this year, it has actively done business with domestic and foreign companies. [HK050631 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 31 Oct 80]

CSO: 4006

BRIEFS

LIAONING PERSONNEL INCENTIVES--A commune in Yi County, Liaoning Province, is able to employ competent personnel by giving them special privileges. Any employees who have special professional skills and who have made contributions to the enterprises may receive excellent wages and benefits in accordance with specific conditions. Household registration records of these employees and their families may be transferred to Yi County on request. Enterprises to which they belong will help them solve housing problems. Children of these employees may enjoy employment preference in commune and brigade-run enterprises. Thanks to such special treatment, 90 percent of the enterprises employing these competent people achieved marked increases in output and profits. In the January-June period alone, these enterprises made a profit of 200,000 yuan, 1.9 times that of 1979. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 1 Nov 80]

JILIN LABOR POLICY--The Jilin Provincial Labor Office recently commented on the policy of children substituting their retired parents. The responsible person of this office said: This policy was adopted at the fifth NPC Standing Committee session on 24 May 1978. Therefore, it will not change in the future. Rumors that this policy will soon change are groundless. Staff members and workers who plan to hasten their retirement in fear of a policy change must reconsider. Those who do not meet the requirements for retirement should not request for early retirement. Enterprises, establishments and other units must strictly implement this policy according to the regulations of the state council and should not relax policy restrictions. Retired workers at cultural, educational, public health, publication and press units whose children are not suited to work in these fields can be arranged to work in other fields by the labor departments. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 5 Nov 80]

CSO: 4006

TRANSPORTATION

TRUCK TRANSPORT IN SHAANXI WASTES MONEY, GASOLINE

Beijing RENMIN RIBAO in Chinese 31 Aug 80 p 3

[Article by Sun Yinglin [1327 2503 3829] of the Shaanxi Provincial Transportation Bureau: "Look at the Waste in Our Province's Truck Transport"]

[Text] Our country's civilian freight trucks are now distributed in two quarters: one is party and government organizations, and enterprises and establishments at all levels (in general, these are called public vehicles); the other quarter is all levels of special transport companies. These two quarters are now experiencing the serious problems of too many vehicles and too few goods, too much one-way transport, and trucks being driven while empty.

On a certain day in 1978, we made a traffic check in Xi'an municipality. Of the 1,382 heavy freight trucks being driven on the west main road, 75 percent were empty; of the 1,720 heavy freight trucks being driven on the east main road, over 60 percent were empty. Only taking account of the trucks on these two main roads (we did not check the south and north main roads), there were on this one day a total of 2,102 empty trucks, a waste equivalent to the 7-day transport capacity of the 300-odd freight trucks of the Xi'an Transport Company. Based on the calculation that every empty truck, on average, traveled 100 kilometers and consumed 25 liters of gasoline, then on that day the empty trucks wasted as much as 52,550 liters. The state regulation is that every ton-kilometer of transport costs 2 jiao, and the average empty truck has a deadweight of 3 tons. Therefore, on this one day, more than 126,000 yuan in transport costs were lost. Civilian trucks in the Xi'an area account for about one-third of the total number of civilian trucks in Shaanxi Province. Based on the budgetary estimates for the entire province, each day about 378,000 yuan in transport costs are lost and 17 tons 700 kilograms of gasoline are wasted. Over the years, the total amount of this waste is even more alarming.

The causes of this waste are:

1. There are too many public vehicles, and their transport efficiency is too low. According to statistics for November of last year, Shaanxi Province had a total of 36,689 trucks, each with a deadweight of 2.5 tons and above--among them are 31,441 public vehicles, i.e., 87.1 percent of the total--distributed among 6,088 units. There are only 4,748 special transport trucks, i.e., 12.9 percent of the total, but the annual freight volume of special transport trucks is equal to that of the public vehicles. This shows that the transport efficiency of public vehicles

is only one-seventh that of special transport trucks. It goes without saying that the transport efficiency of our country's special transport trucks is much lower than that of advanced foreign countries, and the low transport efficiency of public vehicles does not bear talking about.

2. The quality of the service provided by some special transport companies is not high, and their bureaucratic way of doing business is a serious cause for concern. Some, when transporting goods, choose their own routes and decide what cargo they will carry; some are irresponsible, losing and "shorting" cargo; and some don't deliver on time. Therefore, some enterprises and establishments are unwilling to let special transport companies haul their goods. This is a serious cause of one-way transport and the driving of empty trucks.

The transport structure is not unified. Shaanxi Province now has over 100 big and small truck transport companies, divided into those managed by the province, the prefecture, and the county. This kind of transport structure, with its administratively divided management, has a serious effect on the "three unities" (unity in arranging goods supply, unity in balancing transport capacity, and unity in managing transport costs) management. It creates a chaotic situation in which each level "draws a circle on the ground and makes it a prison"; they block each other's goods supply, erect layer upon layer of obstacles, and vie with each other for transport routes.

In order to save more energy, the above problems should be studied and solved.

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CSO: 4006

BRIEFS

YUNNAN ROADS CONSTRUCTION--From January to July of this year, Yunnan Province built and repaired some 2,700 meters of rural roads, which was equivalent to the sum of work for the previous 2 years. At present 1,328 communes are accessible by vehicles. This year, the Yunnan Provincial People's Government has allocated funds and has sent personnel to help do road construction work in rural areas. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 22 Oct 80]

SHANDONG RAILWAY PROJECT--The blueprint for the construction of a railway across southeastern Shandong Province has been completed and approved by the department concerned. This port is designed to transport coal from Yanzhou County. It is to be built with the aid of loans from Japan. The railway line begins at Yanzhou County, passes through Qufu, Sishui, Pingyi, Fei Xian, Linyi, Junan and Rizhao counties and stops at Shijiusuo Port. The total length is some 300 miles. [SK061228 Jinan Shandong Porvincial Service in Mandarin 2300 GMT 5 Nov 80]

CSO: 4006

GENERAL

'RADIO SHANGHAI' REPORTS ON ACTIVITIES OF UNLICENSED VENDORS

OW081121 Shanghai City Service in Mandarin 1130 GMT 7 Nov 80

[Text] According to a station report, deputies of the Shanghai Municipal People's Congress yesterday inspected some streets in the vicinity of the northern railway station in Shanghai, as there was an increasing number of unlicensed vendors in the area who had seriously obstructed traffic and affected social order. They believed that it was necessary to adopt comprehensive measures to bring the chaotic situation in the northern railway station area under control. They suggested opening a comprehensive market.

According to statistics compiled by a department concerned, there were more than 140 unlicensed vendors in the vicinity of the northern railway station in mid-September. The number of unlicensed vendors rose to more than 600 in mid-October. Most of them were selling goods along the major thoroughfares in the area. Pedestrians were forced to walk in the street, affecting the normal operation of public vehicles and hampering traffic.

Among the unlicensed vendors, there are many people engaged in illegal activities, some of them buying and selling smuggled goods or ration coupons, while others sell bogus medicines. Still others waylay and hoodwink travellers under the pretext of introducing them to hotels. There are also a number of hooligans and pickpockets lurking among the vendors and waiting for a chance for mischief. This has affected social order.

The deputies of the municipal people's congress believed the northern railway station area was crowded and chaotic with sharp contradictions. This problem needed immediate solution. They called on the administrative bureau of industry and commerce, the public security bureau and other departments concerned to coordinate with each other and strengthen their control. The deputies also suggested building a comprehensive market in the northern railway station area where vendors would congregate to sell goods; and called for efforts to strike at various illegal and criminal activities.

CSO: 4006

BRIEFS

HUBEI PLANT INVESTIGATION--The Chinese and American joint investigation group obtained good results from carrying out an investigation of plants in Hubei from 24 August to 15 October. The investigation group consisted of 8 Chinese and 5 American botanists. After they returned from their trip, they gave reports to young botanists and they were prepared to publish a book on the trip and their discoveries next year. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 22 Oct 80]

HENAN ECONOMIC FORUM--According to a HENAN RIBAO report, the Henan Provincial Governor Liu Jie conducted and presided over a forum on 22 October to study economic reform. The forum held that: there are a lot of new problems arising from the recent economic reforms. We must organize the strength of all departments to carry out investigations into the new situation in order to solve the problems. We must find solutions as to how to set up a rational price system and how to bring the province's economic superiority into play through economic reforms. The forum also discussed how to speed up the pace of economic research and set up and perfect research organs. [HK120915 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 24 Oct 80]

HEILONGJIANG JOBLESS YOUTHS--Since 1980, Heilongjiang Province has encouraged the establishment of collectively owned enterprises, joint ventures and individual business households to place jobless youths. Through these channels, more than 244,000 youths in the province found jobs in the January-August period, of which 90,000 found temporary jobs and 153,000 found permanent jobs. Statistics show that by the end of July more than 20,000 individual business households run by jobless youths were set up. [SK070640 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 6 Nov 80]

HEILONGJIANG SUPPLY ASSOCIATION--The Heilongjiang Provincial Supply and Economic Association was officially established 9 November. Li Jianbai, secretary of the provincial party committee and president of the Provincial Academy of Social Sciences, and Hou Jie, deputy governor of the province, attended the inaugural ceremony and delivered speeches. Hou Jie, deputy governor, was elected honorary chairman of the first board of directors of the association. (Kong Ju), chief of the Provincial Supply Bureau, was elected chairman of the first board of directors. [SK112240 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 9 Nov 80]

CSO: 4006

PUBLICATIONS

BRIEFS

TAIWAN ENTERPRISE MANAGEMENT--Beijing, 10 Nov (XINHUA)--The book "Taiwan Qiyejia Tan Jingying Guanli" [Taiwan's Enterpreneurs Talk About Operation and Management] was recently published by the Xinhua Publishing House. The 150,000-character book contains 22 articles by Taiwan's enterpreneurs, scholars in enterprise management, journalists and government officials in economic affairs published in Taiwan's papers during the second half of 1979. The book introduces the operation and management of Taiwan's enterprises from six aspects--relationship between world economy and the operation and management of Taiwan's enterprises, general principles in enterprise management, personnel training, production and sales, financial management and guidance for small and medium-sized enterprises. It deals with the theories, work experience, specific measures, policies and suggestions in enterprise management and will help readers understand Taiwan's economic situation and the modern concepts in enterprise management. [OW121405 Beijing XINHUA Domestic Service in Chinese 0806 GMT 10 Nov 80]

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China Report

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NATIONAL POLICY AND ISSUES

RELATIONSHIP BETWEEN PRODUCTION, EVERYDAY LIFE DISCUSSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 80 pp 53-58

[Article by Jiang Junchen [1203 0689 6591], Zhou Chaoyang [0719 2600 7122] and Shen Jun [3088 7786]: "The Relationship Between Production and Daily Life"]

[Text] 1. Since the Third Plenum of the 11th Central Committee set the policy that the work of the whole party should shift its focus and implement adjustment, reform, rectification and improvement of the national economy, the cause of socialist modernization has begun gradually to move into a healthy developmental path. In adjusting the proportional relationships of the national economy, the most important thing is how to deal effectively with dialectical relationship between production and daily life and suitably link development of production with improvement of the people's material and cultural level. This is an objective requirement of the fundamental economic laws of socialism, and a primary question which should be examined in developing perspective plans and long-term and mid-term plans.

Production and daily life are a unity of opposites; developing production is the means and improving the people's material and cultural life is the end. On the one hand, if production is not developed, so that there are not sufficient material conditions, it will be impossible to improve the people's material and cultural life; on the other hand, ultimately development of production is in the service of the people's livelihood. Daily life has a major reaction to production, because by improving the people's livelihood it is possible to provide extensive markets for production, continuously produce new demand for production, and create new avenues for sales. Under the socialist system, the working people are the masters of the state and of society; they are not only the owners and producers of material goods, but also the consumers. Continuous raising of the level of the people's material and cultural life through development of production is decided by the essence of socialist production relations. Comrade Mao Zedong pointed out that "after the new China is established, we will lead the people of the entire country in overcoming all difficulties, carrying out large-scale economic and cultural construction, eliminating the poverty and ignorance inherited from the old China, and gradually improving the people's material and cultural life."

In socialist economic construction, if we pay attention only to the decisive effect of development of production and ignore the reaction on development of production resulting from an improvement of the people's material and cultural life, and if we oppose production to everyday life so that the people are short of food and clothing, we will dampen the masses' enthusiasm, which will be harmful to the development of production. Accordingly, a serious study of the experience in dealing with the two sides of the relationship between production and livelihood since the state was established is of great significance for continuously adjusting the proportionality of the national economy, drawing up national economic plans and implementing the four modernizations.

In general, our country's 30 years of socialist construction have been a great achievement. We have already built ourselves up from a backward semifeudalist, semicolonial country into a socialist country which has taken its preliminary form, has its departments rather well balanced, and has a relatively rich material basis. The fixed industrial assets resulting from 30 years of construction are already 25 times as great as those accumulated over more than 100 years in old China, which shows the superiority of the socialist system.

The people's material and cultural life has also undergone rather great improvements since Liberation. In 30 years, the total quality of means of subsistence has increased quite rapidly; total sales of social commodities in 1978 had increased almost 9 times over 1950, and in 1979 there was also a real increase of 12.4 percent over 1978. But compared with the rate of development of production, the degree of improvement in livelihood is still quite slow, and the proportional relationship between production and daily life is seriously out of adjustment. As the report of the Third Plenum of the 11th Central Committee pointed out, a number of problems have accumulated over many years in the daily life of the rural and urban people. For example, the people are still having many difficulties regarding food, clothing, shelter and other necessities. In the last 20 years the real wages of staff and workers in this country have decreased. Some manufactured goods for everyday use are in short supply in the countryside, and the approximately 100 million peasants nationwide have less than 300 jin of grain rations a year. This differs considerably from the average level for the world population. We must make an effort to reverse this situation.

The year 1979 was the first year of this country's national economic readjustment, and the party and government have already made a great effort to improve the people's daily life and have obtained outstanding results. This year there was a rich harvest, with the total agricultural output value reaching 104.2 percent of plan, an increase of 8.6 percent over last year, so that peasant income has been increased rather considerably. In the cities, more than 7 million unemployed people have been placed in jobs, and the average wage of staff and workers has been increased considerably; residential construction in cities in town is progressing rapidly: within a year 62,560,000 square meters of housing space was constructed, equivalent to a tenth of the total amount of dwelling construction since the state was founded and to 60

percent of total dwelling construction since the First Five-Year Plan; and more than 4 million staff and worker families have moved into new residences. Urban and rural markets are active, and purchases and sales are both flourishing, and the supply of both staple and nonstaple food products and manufactured daily use products has been markedly improved. Of course, the above changes are only the beginning, and the problems existing in regard to the people's material and cultural life cannot all be completely solved at a stroke; only by implementing the "four point policy" and developing production can we gradually solve them.

2. The reasons for the proportional imbalance of production and everyday life and for the accumulation of a series of problems in regard to the people's livelihood are many. The principal one is the interference and sabotage of Lin Biao and the "gang of four"; the next most important is errors in our work.

A. The proportional imbalance of production and everyday life is the result of one-sidedly stressing the production of means of production over a long period of time and ignoring the production of means of subsistence, resulting in a grave proportional imbalance between the two, i.e. a proportional imbalance between agriculture, light industry and heavy industry. The proportional relationship between production of the means of production and production of means of subsistence is the basic proportionality indicating whether social production is harmonious, and also the basic proportionality of harmonization of production and daily life. The products of agriculture and light industry are for the most part means of subsistence which are used to satisfy and improve the people's daily life; the products of heavy industry are largely means of production which are used for simple and expanded reproduction. Accordingly the proportionality between production of means of production and production of means of subsistence is largely the proportionality between agriculture, light industry and heavy industry, and if this proportionality is inharmonious it will produce an imbalance between production and daily life.

In our 30 years of economic construction, because during the First Five-Year Plan and the period of adjustment in the 1960's the proportionalities of agriculture and light and heavy industry were relatively harmonious, the national economy expanded rather rapidly and the people's livelihood also experienced a considerable improvement. In the period of the First Five-Year Plan, the total output of industry and agriculture increased by 67.7 percent, average wages for workers and staff increased by 48.8 percent, and peasant income increased by 27.9 percent. Between 1963 and 1965, during the readjustment of the national economy, because the rate of development of the means of production was decreased and the rate of production of means of subsistence was increased, the national economy managed a rapid recovery and the people's livelihood also experienced an improvement. But in the Second, Third and Fourth five-year plans, because there was one-sided development of heavy industry to the exclusion of agriculture and light industry, the proportional relationship between agriculture and light and heavy industry was gravely out of balance, so that the national economy developed slowly, stagnated or even regressed, and the people's livelihood did not achieve the improvement it should have had.

In terms of the total increase in output value of agriculture and industry over 30 years, by 1978 there was an increase of 12.8 times over 1949, with an increase of 38.2 times for industrial output and an increase of only 2.4 times for agricultural output. Within total industrial output, the output of heavy industry increased more than 90 times and that of light industry only somewhat more than 19 times. If the 26 year period between 1952 and 1978 the growth rate of agriculture is taken as 1, the ratio of the agricultural and industrial growth rates was 1 : 11.5; the ratio of the industrial and light industrial growth rates was 1 : 6.7; and the ratio of the agricultural and heavy industrial growth rates was 1 : 20.6. We can see from these figures that one-sided development of industry had reached a striking degree. This could not fail to hinder the improvement of the people's livelihood.

B. Another important reason why the people's material and cultural life could not be improved for a long period was that the accumulation rate in distribution of national income was too high, accumulation funds were not properly distributed, and the utilization effectiveness of accumulation funds was poor. In the distribution of national income, the question of whether the proportionality between accumulation and consumption, the proportionality between use of accumulation funds for productive construction and their use for nonproductive construction, and the porportionality of the use of productive construction for agriculture, light industry and heavy industry, not only affect the harmonious development of each department's productive construction, but also directly affect the proportionality between development of production and improvement of the people's material and cultural life.

In the first place, an excessively high accumulation rate affects the rate of development of production and also the improvement of the people's material and cultural life. During the First Five-Year Plan, 75.8 percent of national income was used for consumption and 24.2 percent for accumulation, the scale of capital construction and the nation's financial and material resources were rather well matched, and accordingly the rate of increase of total industrial and agricultural output and the rate of increase of national income were both rather rapid, social buying power and commodity supply were basically in balance, and the people's livelihood experienced suitable improvement. Thereafter, in 1958 the accumulation rate increased abruptly to 33.9 percent, in 1958 it reached 43.8 percent, and within 3 years, although heavy industry grew more than 3 times, agricultural production decreased considerably, with the grain output falling by 25 percent. In 1961 and 1962 investment in heavy industrial production and capital construction had to be decreased sharply. Production and livelihood were uniformly in straitened circumstances, and the lives of the urban and rural people were in a rather distressed state. After 1970 the accumulation rate was maintained above 30 percent, the capital construction front was overextended, and the proportionalities of the national economy were seriously out of balance, so that the livelihood of the urban and rural people could not be improved.

Second, the proportionality between use of accumulation funds for productive construction and their use for nonproductive construction was out of balance. Since the state was founded, the proportionalities between production and

nonproductive construction in capital construction investment have been as follows: in 1952, 2 : 1; during the First Five-Year Plan, 2.5 : 1; during the Second Five-Year Plan, 6.6 : 1; during the Third and Fourth Five-Year Plans, 7-9 : 1; between 1976 and 1978, 5 :1. With the exception of 1952 and the First Five-Year Plan, in all periods productive construction accounted for 80-90 percent of the total investments. Our country's steel output reached 30 million tons in 1978; compared with West Germany in 1959 and Japan in 1963, our country's productive construction investments accounted for 82.6 percent, while those in West Germany were 55 percent and those in Japan 54 percent, much lower than for our country; in the same period, the percentage of investment in our country for housing was 7.8 percent, that in West Germany 16.1 percent and that in Japan 23.1 percent. both larger than in our country.

Third, the proportion of productive construction funds used for agriculture, light industry and heavy industry is a basic reflection of the proportionality of development of agriculture, light industry and heavy industry. Whether or not this proportionality is suitable has a considerable effect on the proportionality of development of agriculture, light industry and heavy industry and also on the upgrading of the people's material and cultural life. If we take light industrial investment as 1, its ratios to investment in agriculture and heavy industry were as follows: in the First Five-Year Plan, 1 : 1.32 and 1 : 7.88; in the Second Five-Year Plan, 1 : 2.36 and 1 : 10.79. Between the Second and Fourth five-year plans, while agricultural investments increased slightly, investments in light industry were continuously held at more than 1 : 10. In the last 20 years, investment in light industry not only has not increased, but has actually decreased from the level of the First Five-Year Plan, while the proportion taken up by heavy industry, which was high at the outset, has been continually increased.

C. In the circulation area, there are many problems regarding transport conditions and circulation channels, the commercial network, commercial facilities and the like, which also have hindered the development of production and improvement of the people's livelihood.

First, although in the last 30 years transport conditions have improved greatly, compared with the development of production they are still unsuitable, and poor transport conditions and heavy loads directly affect the development of production and improvement of the people's daily lives.

As regards transport service mileage, between 1949 and 1978 railroads had an increase of 1.4 times, highways had an increase of 11 times, river transport mileage increased by 71 percent, and civil aviation route mileage increased 13 times. But because the proportion of investments on railroads and communications decreased continuosly, while in the First Five-Year Plan railroads already accounted for 10.8 percent and communications for 4.8 percent, during the Second Five-year Plan railroads had dropped to 8.8 percent and communications to 4.4 percent. Thereafter, investment in railroads never again reached the level of the First Five-Year Plan. Although after 1975 investment in communications increased, it was still slow compared with development of industry.

At the same time, goods transport by water and land increased rapidly. Between 1949 and 1978, railroad goods transport increased 9.7 times, railroad goods transport increased 18.6 times, water goods transport increased 24.7 times, and coastal and harbor freight handling quantities increased 12.8 times. Clearly the increase in cargo transport greatly exceeded the increase in transport capabilities. Under these conditions, in order to assure transport of coal and other means of subsistence, transport of agricultural sideline products and market commodities were squeezed out, which gravely affected the requirements of the urban and rural people's material and cultural life and was detrimental to performance of foreign trade and export tasks.

In addition, the commercial network was small and its duties heavy, which created difficulties for the people's livelihood. Between 1952 and 1978, total purchases by state-run commercial departments increased 8.9 times, and total retail sales of social commodities increased 4.5 times, while total import and export increased 4.5 times. But while the scale of the network increased slightly, the corresponding network facilities decreased greatly in number. The number of network points in 1953 was more than a million, while in 1978 it had decreased to 170,000; the total operating area per thousand inhabitants was only 320 square meters, less than half of the standard operating area per thousand inhabitants of 700-800 square meters. On the other hand, in the last 20 years the number of wholesale stations increased considerably, the number of circulation links increased, and the rate of circulation decreased. The situation was similar in the supply and marketing cooperatives.

Clearly there was a grave insufficiency in the commercial network, its contradictions with the strenuous management tasks were acute, and it was poorly adapted to developing production and improving the people's livelihood. Accordingly, attention to harmonizing the proportionality between production and circulation is also an important aspect of developing production and improving the people's livelihood.

D. A poor foundation and a population that is increasing exceptionally fast are also important factors hindering improvement of the people's livelihood. Before Liberation our country had been subjected to more than 2,000 years of feudal rule and had suffered more than 100 years of encroachment and plunder by imperialism, and its productive forces were extremely backward. Although after Liberation production expanded greatly, because population increased too rapidly, and was not in accord with the rate of development of production, many difficulties resulted for job placement, increased consumption, improvement of labor productivity, improvement of living conditions, and development of scientific education.

According to statistics, of the total population, more than 650 million people have been born since Liberation; subtracting deaths in the last 30 years, the increase between 1949 and 1978 was 430 million people. Some comrades estimate that supporting the several hundred million people born since Liberation to age 16 when they become ordinary laborers requires about 1.4 trillion yuan. Every year about 20 million people need jobs. In 1957 there were about 24.5

million staff members and workers in our country, while in 1978 the number had increased to 94.99 million, almost quadrupling. With so many people needing jobs, it can only be a case of "five people eating three people's rice." Because of the increase in the number of people looking for jobs, although total wages for staff and workers in our country increased from 15.6 billion yuna in 1957 to 56.9 billion yuan in 1958, an increase of 3.6 times, the average wage did not increase much; in 1957 it was 637 yuan, in 1977 it was 602 yuan for staff and workers in enterprises owned by the whole people, and in 1978 it was 644 yuan. Because the labor force in the countryside increased greatly, the average amount of agricultural land per worker was 8.8 mu in 1955 and 4.6 mu in 1978. In the last 30 years the output of agricultural sideline and light industry products in this country has increased considerably, but on a per capita basis the increase is very small, and there has been a decrease for some agricultural sideline products.

E. In the process of construction during the last 30 years, losses have been immense and waste shocking. A considerable proportion of the riches we have created have not really had an effect in expanded reproduction and improvement of the people's material and cultural life. For example, the 1958 proposals to "double steel output" and "carry out large-scale local steel refining" and the like wasted large quantities of material and financial resources and manpower. During the period when Lin Biao and the "gang of four" held sway and criticized the so-called "production only theory," incited to violence and incited people to "cease production and start a revolution," a large amount of national income was lost. When they proposed the policy of "mountains, decentralization, caves," and moved many plants to mountain valleys or built plants in mountain valleys, this not only produced large losses, but also left behind many hard-to-solve problems.

In addition, economic performance in all areas was poor, the equipment utilization rate was low, consumption of raw materials, processed materials, fuels and manpower was high, and there were product overstocks and losses and the like, which resulted in production waste, and this coupled with nonproductive waste produced loss and waste fugrues which were truly shocking. This both was unfavorable for the expansion of production and hindered improvement of livelihood.

3. In the last 30 years, we have had rich experience and profound lessons in harmonizing the proportionalities of production and livelihood. Now, as regards the drawing up of perspective plans and long-term and short-term plans, if we look ahead in a realistic way we can arrive at the following basic findings:

A. For a suitable solution of the relationship between production and livelihood, we first must solve effectively the proportionality between production of the means of production and production of means of subsistence, the proportionality between agriculture, light industry and heavy industry, and the proportionalities within them. Marx's principle of social reproduction tells us that when technical progress leads to an imporvement in organic

structure, the means of production will take precedence over the means of subsistence in expansion. But production consumption for the means of production ultimately is connected with individual consumption, is always conditioned by individual consumption, and finds that individual consumption tends to shift. It is incorrect to believe that production of the means of production can be developed independently of production of means of subsistence.

As regards our country's past development of production of the means of production and production of the means of subsistence, i.e. its development of agriculture, light industry and heavy industry, since the Second Five-Year Plan the rate of development of heavy industry has been too fast and it has squeezed out light industry and agriculture and the people's livelihood. Accordingly, under present conditions, when the irrational structure of the national economy and the grave proportional imbalances still have not been fundamentally redressed, and when there are many long-standing problems of the people's livelihood which urgently require solution, we first should take agriculture as the basis and develop light industry greatly. At the same time, heavy industry should produce more products to serve agriculture and light industry, and give priority to satisfying the needs of development of the light textile industry, so that the rate of development of the light textile industry will constantly be higher than that for industry as a whole.

B. Under the socialist system, accumulation and consumption are basically in agreement. The proportionality between accumulation and consumption is in fact the relationship between expansion of production and improvement of livelihood, and between long-term interests and immediate interests. But they also have specific contradictions, and when national income is fixed, if accumulation is increased consumption will have to decrease accordingly; if accumulation is decreased, consumption will increase accordingly. The two must be suitably arranged.

To deal effectively with the proportionality between accumulation and consumption, we first must affirm that we must maintain a relatively high accumulation rate. Accumulation is the source of expanded reproduction, and is "the most important progressive function of society." If the accumulation rate is too low it will decrease the rate of development of the socialist economy, which is disadvantageous for implementation of the four modernizations and not in accord with the people's long-term interests. But experience proves that the accumulation rate should not be too high either, otherwise it will hinder improvement of the people's livelihood, and ultimately hinder the rate of development of the national economy.

When arranging the proportionality between accumulation and consumption, we should not simply limit ourselves to the accumulation rate, but rather should address ourselves to expansion of production and increasing national income. Although increasing the accumulation rate can increase accumulation funds, ultimately the scale of accumulation must be determined in terms of improving labor productivity and be decided by the size of the increase in national income. When the national income increases, even if the accumulation rate does not increase, the size of accumulations can increase.

Accordingly, in readjusting the proportionalities of the national economy, we must gradually decrease excessively high accumulation rates; on the basis of past experience, a decrease to about 25 percent is right. In addition, in the accumulation funds we must also decrease the proportion of productive capital construction investments and increase the proportion of nonproductive capital construction investments. The proportion of total investment used for productive construction investment in 1979 had dropped to 73 percent, but it is still a bit high. As soon as the question of developing construction is raised, some comrades believe that we must create new industrial and mining enterprises. In reality this view is incomplete. At present we already have more than 300,000 enterprises, and if we would take realistic and effective steps, thoroughly identify latent potential, better mobilize worker and staff enthusiasm and creativity and increase labor productivity and economic effectiveness, we could greatly increase output and raise national income. Currently an important hindrance to decreasing the accumulation rate is the fact that the capital construction front is overextended, and there are problems of "apparent decrease and hidden increase" and "apparent cessation and hidden continuation," and the like. These situations are harmful to readjustment of the proportionalities of the national economy and disadvantageous to adjustment of the relationship between production and daily life.

C. We must strengthen our economic summarization and survey work regarding commodity circulation, further increase the activity of economic work, and bring the positive reaction of circulation on production into play. Primarily this involves four problems. (1) We must change the old view and old method of determining sales in terms of production and selling whatever we produce, and change over to determining production in terms of need and using sales to stimulate production. Only in this way can we really give expression to the positive reaction of circulation on production while production determines circulation. Experience proves that only by readjustment based on the principle of adapting sales to the market and by having a clear understanding of the product orientation can we benefit the development of industrial and agricultural production and the improvement of the people's livelihood. (2) In the commodity circulation area, the questions of how to achieve free circulation of commodities and make circulation more lively will have an important effect in accelerating social funds turnover, decreasing expenditures, increasing profits and increasing social wealth. To achieve this, we must break out of two old molds as regards circulation. The first is the long-standing belief that means of production exchanged between enterprises owned by the whole people are not commodities and cannot be included in market circulation, thus eliminating the market's stimulating effect on production of the means of production. Accordingly, we must allow the means of production to enter the market as commodities. By adapting sales to the market through a combination of plan adjustment and market adjustment, we can satisfy the needs of production expansion in agriculture and light industry in timely fashion. The second is that as regards circulation of the means of subsistence, we must change the system of sole management of industrial products by state-run commercial enterprises and sole management of agricultural sideline products by supply and marketing cooperatives. We must institute extensive, varied

commercial channels and management methods which are based on state-run commercial enterprises and supply and marketing cooperatives, operate the commercial links in a more lively fashion, and accelerate commodity circulation. It is estimated that if we open extensive circulation channels we can decrease current stocks of certain commodities by half, thus saving a large quantity of circulating funds. (3) We must expand the autonomy of commercial enterprises. If we put the commercial departments into direct contact with the consumers, we can reflect changes in social needs in a timely and flexible fashion, thoroughly bring into play the dynamic role of commerce in harmonizing production and consumption, stimulate the development of industrial and agricultural production and improve the people's livelihood. (4) Communications and transportation are an economic link between production and consumption, between deparments, and between geographical areas, and are the national economy's vanguard. Currently communications and transportation are relatively prominent weak links in the national economy, and a strengthening of communications and transport no longer brooks delay.

D. To harmonize the relations between production and livelihood, we must make a great effort to solve the problems of great waste, poor economic effectiveness and the like. If waste is not eliminated and economic effectiveness not improved, the work of adjusting the national economy will not be done well, it will be hard to implement the four modernizations, and it will be hard to harmonize production and livelihood.

There is much latent potential for increasing economic effectiveness. In 1978 this country's industrial fixed assets were already 320 billion yuan, and if the quantity of industrial goods furnished per hundred yuan of fixed assets could reach the 1957 level, total industrial output value would be increased by more than 100 billion yuan over the 1978 level. It is estimated that if we managed existing enterprises well without increasing the amount of equipment or slightly improved existing equipment, industrial output value could be doubled or even further increased. Our country is short on energy resources, but the utilization rate is low, and the difference in energy consumption between progressive and backward enterprises amounts to 400 to 500 percent or more. Moreover, there is also great latent potential for improvement of product quality and decreasing consumption of raw and other materials. If in 1978 the steel materials utilization rate in this country's machine building industry had achieved the best domestic level, we could have saved about 5,000 tons of steel; if it had reached advanced foreign levels, we could have saved more than a million tons. And because product quality is low and lifetime short, some parts and assemblies have to be replaced 3-4 or even 7-8 times as often as they should. Decreasing consumption, improving product quality, improving economic effectiveness, and reaching advanced levels as soon as possible is equivalent to increasing output severalfold or even tenfold. The reason why we have large amounts of waste and poor economic effectiveness, other than sabotage by Lin Biao and the "gang of four" and inadequate scientific and technical progress, is, in terms of the national economy, that there is insufficient management in accordance with economic laws, realistic approaches have not been taken, actions have not been in accordance with capabilities,

people have been affected by the "left" ideology and have one-sidedly sought "large size, comprehensiveness and speed," and actions have been rather seriously unsystematic; we do not give attention to bringing economic advantages into play on the basis of the economic situations in different areas, so as to accentuate strong points and eliminate weak points, but rather look after our own concerns and circumscribe our interests, use the self-contained attitude of small construction, run an "independent economic system" where both large and small enterprises carry on the entire production process, and do not take account of whether or not this is economically reasonable. In terms of the economic management system and operations management, first, the powers in the existing economic management system are too centralized, and production is organized on the basis of "the will of the superior officer," and basic-level enterprises lack autonomy, with the result that the quality of enterprise management has no direct connection with the interests of the workers or managers, which is detrimental to their enthusiasm for increasing economic effectiveness. Second, in the existing operations management system, no attention is paid to the objective requirements of socialist production and the laws of the commodity economy, there is too much centralized control of receipts and disbursements, the situation of "everyone served from the same pot" is ubiquitous, and everyone has become hardened to waste and losses in production and circulation.

To solve the problems of large amounts of waste and poor economic performance, we must first get the ideological line right and make improving economic effectiveness the standard by which all economic work is evaluated; at the same time, we must base ourselves on our country's conditions of great extent and large population, rich labor resources, complex natural conditions, and a poor foundation and limited funds, bring each area's advantages into play, and develop production departments requiring small investment, using large amounts of labor and producing a fast return. To improve economic effectiveness, we also must continue to implement the four point policy of readjustment, reform, rectification and improvement, work out through practice a set of economic management systems and economic methods suited to this country's conditions, and thoroughly bring existing enterprises into play.

Harmonizing the relationship between production and livelihood in reality is simply a matter of operating in terms of the objective requirements of the basic economic laws of socialism; it is a major theoretical problem, but even more it is a complex practical problem. The above not-yet-mature basic findings are proposed for everyone's discussion.

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NATIONAL POLICY AND ISSUES

USE OF MODERN TECHNOLOGY WILL INCREASE EMPLOYMENT

Beijing GUANGMING RIBAO in Chinese 1 Aug 80 p 4

[Article by Pan Guangji [3382 0342 4694]: "Advanced Technology and the Employment Question"]

[Text] There are some comrades who see the use of advanced technology and the raising of labor productivity only in terms of shrinking the factors of employment. They do not see that through advanced technology and higher labor productivity, the same number of people can generate more products, thus reducing costs and speeding capital accumulation, which allows more capital for expansion and reproduction and for the opening of new industries, which in turn paves the way for new employment opportunities. These comrades feel that raising labor productivity will put more people out of work. This is a one-sided view.

If we look only at one industry or one unit, then if the scale of production remains the same, increases in labor productivity will result in fewer people being needed. However, if we can organize the labor forces of the unemployed and those who are no longer needed, and use them to expand reproduction and to open up new industries, advancing along the depth and length of production, then the situation will be completely different. The key lies in the selection of the "suitable technology" to be used to expand employment and in the management of the abundant labor forces made available by the increase in labor productivity. If a good job is done in selection and management, then the greater the labor productivity, the faster the development of production, and the more the opportunities for employment, and there will be a speedy decline in the number of people unemployed. On the other hand, if there is a regression in the level of technology, there will be no expansion of production, labor productivity will not rise, and with an increase in population there will be an increase in the number of unemployed. In recent decades this has been proven in a number of countries. According to a U.S. information company, industries with advanced technology have twice the labor productivity of backward industries but offer nine times the number of employment opportunities. This shows that higher labor productivity has not lessened employment, but instead the expansion rate of production has surpassed the rate of rise in labor productivity and thus has greatly expanded employment.

Right after liberation, in order to solve the problem of large-scale unemployment left over from the old society and to place former workers, we had five people doing the job of three. This was all right as a special temporary measure. However, if it is used as a long-range plan to solve unemployment problems, then it must be

looked into further. On the surface, it seems to solve the problem of placing the unemployed in jobs right away, but this is a false appearance. All this does is to put the unemployed outside the realm of production and turn them into unemployed at production posts. Instead of having a portion of the people unemployed, everyone takes turns at being unemployed. Production capacity is not raised. By using the equipment of limited technology, productivity does not go up because a larger labor force is invested, and too many people will get in each other's way and affect production. Also with population growth, every day there are large numbers of people coming of age and entering the job market.

Thus, if we do not expand reproduction and do not open up new employment opportunities, but purely use simple reproduction to [try to] solve the problem of employment, it will be impossible to do so. It will only mean that fewer people are working and more people are idle, making many units overstaffed; with many people idle, labor discipline will become lax and there will be serious problems of dilatory work style. We must seriously examine the simplistic method of reducing mechanization and automation and using manpower to replace machines to solve our unemployment problems. This will cause the labor productivity rate of our entire society to continue to fall and will result in even more people being out of work. This way will not work. For example, if we used 18th century hand-operated looms instead of modern looms, we could make jobs for thousands of people, but we would not be able to achieve the standards of the modern textile industry.

To solve the problem of employment, fundamentally speaking, we must rely on continued scientific and technical progress, on greater labor productivity, and on expanded reproduction and expanded employment opportunities. Only when everyone's (including children's) productivity exceeds his consumption can we select manpower and materials for expanded reproduction, open up new industries, and increase opportunities for employment. Only this will gradually solve our employment problems.

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INDIVIDUAL ENTERPRISES BEING SET UP IN TIANJIN

Regulations

Tianjin TIANJIN RIBAO in Chinese 26 Jul 80 p 1

[Article by Cai Yewen [5591 5509 2429]: "Tianjin Promoting 'Mom and Pop Stores' and Other Individually Operated Establishments"]

[Text] As of today, independent workers in Tianjin can continue to process their requests to register as independent operators. The individually operating establishments being promoted, in addition to the urgently needed repair services and handicrafts, are the "mom and pop stores," "father and son stores," "brother and sister stores," and other forms of individual commercial enterprises. These individually operated commercial establishments already have approval to sell third-class small commercial products and some first- and second-class commercial products, such as articles for daily use, local specialty products and miscellaneous articles, snacks, light food and drink, spices, tobacco, liquor, candies, and vegetables, so as to fill the gaps left by the state-operated stores and the collective-enterprise store network.

The above measures were decided upon at a meeting on 23 July of the finance and trade bureaus and responsible persons from finance offices of some of the wards and counties convened by the Tianjin Finance Committee.

The Tianjin Finance Committee is carrying out a plan for appropriate expansion of individually operated enterprises based on social needs, as well as a policy of further easing the requirements and broadening the targets of individually operated enterprises. Unemployed young people who are not members of an agricultural household, idle workers, and retired workers with a certain skill who can employ one or two unemployed young people may apply for registration as individually operated enterprises. Employed workers and students at school may not resign, leave their work, or drop out of school to run individually operated enterprises. Their applications will not be approved. Individually operated enterprises can consist of one person,or of three to five people, and according to operating ability and conditions they can operate from fixed locations such as in front of or behind one's residence, they can be set up in a small stand in residential areas where the commercial network of stores does not reach, or the operators can carry their wares on their back and peddle them in the streets and alleys.

All commerce bureaus, finance organs, banks, and commodity-pricing departments will take steps to support individually operated enterprises in the areas of obtaining wares, loans, taxes and prices, to allow for suitable expansion. In the future, the main corporations of the state-operated commercial organs will supply the individually operated enterprises through their wholesale departments and retail-wholesale stores. Trade warehouses have decided to supply individually operated enterprises with barter goods. It has also been approved as being within the scope of the policy for individually operated enterprises to do their own purchasing. They may sell those products which they have made themselves or have reconditioned. Peoples' banks will open accounts for individually operated enterprises and will grant loans of certain amounts to those individually operated enterprises which have insufficient capital. Commodity-pricing departments will agree to the sales price of products sold by individually operated enterprises, and any products purchased from state-run enterprises will be sold at the advertised retail price. Barter products will be sold according to the catalog of barter products approved by the municipal government. The sale price of these products may be higher or lower, depending on the purchase price, and a reasonable profit may be turned, but the profit must not be too high.

Industrial and commercial management departments at all levels will continue to protect legal businesses and put a stop to illegal activities. In the process of expanding individually operated enterprises, they will manage organizational control and establish individually operated enterprise federations at the appropriate time. Concerned service departments will carry out direction and control of individually operated enterprises in the areas of supply policy, pricing policy, management policy, and product supply.

Commentary

Tianjin TIANJIN RIBAO in Chinese 26 Jul 80 p 1

[Article by Commentator: "Proper Development of Individual Businesses"]

[Text] Today our paper has published the news that individual industrial and commercial businesses will continue to expand in Tianjin. This is yet another step taken by Tianjin departments toward liberated thinking, market stimulation, and convenience for the masses.

At present, the commercial economy in China is not sufficiently developed. Social productivity is somewhat backward. Many handicraft and laboring trades still exist. Also, among these trades, there are many which are not included in the state or collective sectors of the economy, yet which are very necessary for social production and the peoples' livelihood. Therefore, there is a place for the individual sector of the economy. Not just at present but in the future there will be reasons for the existence of the individual sector of the economy. However, for many years we have had an economic management policy that was not suited to the actual situation. We adopted a policy toward the individual economy that was based on restrictions and elimination, attempting to get rid of the individual economy as soon as possible. As a result, several tens of thousands of convenience outlets are not around. Many small commercial enterprises have been eliminated. Large groups of individual laborers who were self-supporting had to hang up their "steel rice bowls." Commercial economic development was to a certain degree hindered. Even more serious was the fact that it put "blinders" on the people's thinking. They saw the development of individual businesses as "setting a tiger loose" as though our socialism would be swallowed up if there were an individual economy.

Last year, in accordance with the spirit of the Third Plenum of the 11th Party Central Committee, Tianjin industrial and commercial administrative control departments restored and expanded more than 3,000 individually operated handicraft, repair, and service enterprises. In the past year, under the guidance of the leadership of the socialist state-run economy, these individual businesses have demonstrated their enthusiasm. For one thing, they have increased the wealth of the society, enriched the marketplaces of the towns and villages, and supported imports and exports. Second, they have filled in the gaps of the national and collective sectors of the economy and have opened up the field of services. They are active, convenient, and meet many of the needs of the people. Third, they have opened up job opportunities for the unemployed, lessened the burden of the state, and improved the livelihood of many citizens. The facts prove that the proper development of individual industrial and commercial businesses is beneficial both to the state and to the people. Should we not be happy to have such a good thing?

The proper development of individual industrial and commercial businesses is not something that can be implemented with the promulgation of one document and the holding of one meeting. There must be some specific and intricate ideological and organizational work carried out here.

First of all, our comrades, especially leadership cadres, must liberate their thinking and correctly recognize the nature and function of the individual economy. They should recognize that there are many comrades who have ideological shackles on concerning the question of development of individual businesses. For example, there are those who still have not gotten over being beaten or having to wear a hat because of this; some fear that individual businesses will take away their suppliers and steal their business, and that state enterprises will suffer. To remove these shackles from our minds we must restudy the spirit of the Third Plenary Session of the 11th Party Central Committee. Try to gain truth from the facts and summarize historical experiences. We must start off from the actual realities in China; we must start from the needs of society. We must correctly recognize the quality and function of the individual economy. We must analyze the nature of the individual economy. We must not look simply at the system of ownership, and we must not generalize that the collective system of ownership is unconditionally superior to the system of individual ownership. In scattered or mobile repair businesses and in service businesses, individually operated businesses are better. And we must not believe that individually operated businesses will naturally produce capitalism. Even more, we must not equate individual businesses with capitalism.

Secondly, we must truly relax our policy. That is, we must change the old policy of emphasizing restrictions on and elimination of individual businesses to one of active guidance and proper support as well as better control. These policy measures that have been taken by concerned departments in Tianjin, compared with the restoration and expansion of individual businesses last year, are all more lenient in the aspects of who can run them and what is to be their scope of operation, sources of goods, price control and tax policy. But if we really want these policy measures to be effective, they have to be carried out in concerned departments and units, be gradually refined in the process of being carried out, and gradually be improved. The party's line, direction, and policy are a very serious matter. Departments charged with their execution must not simply pay lipservice and then not take action. Even more, they must not purposely set up bottlenecks and refuse to execute the policy.

For the development of individual industrial and commercial businesses to proceed as they should, the most important thing is better guidance. A liberalized policy does not mean giving free rein. We must protect their legal operation, promote their positive aspects, put a stop to illegal operations, and restrict their negative aspects, so as to allow them to really become a complement to the state and collective sectors of the economy. This will promote the production of socialist commercial products and the exchange of products, and it will develop the social service enterprises. Stricter control is not the affair of one single department. Industrial and commercial administrative departments of ward and county governments must strengthen their guidance. Commercial, financial, and banking business departments must strengthen their guidance. They must work in coordination and in closeknit harmony to make a contribution to our city's prosperous economy.

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PRICING OF MANUFACTURED GOODS IN TERMS OF PRODUCTION COST DISCUSSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 5, 20 May 80 pp 37-43

[Article by Lu Nan [6424 0589], State General Office of Prices: "Problems of Pricing Manufactured Goods According to Production Costs Under Socialism"]

[Text] One of the hindrances which we encounter in discussing the reform of the economic management system and beginning its implementation is the fact that currently many commodity prices are unreasonable. If prices are not reasonable: (1) they are unable to reflect correctly each industry's contribution to society, and if under these conditions we implement withdrawals for the various funds at a certain percentage of profits, this will result in unequal benefit to different industries, which makes it difficult to encourage progressiveness, stimulate those who are lagging behind and mobilize enterprise and employee activism; (2) they make it harder for the enterprise to carry on correct economic accounting, so that it is difficult to weigh correctly the economic results of various technological measures and construction programs; (3) they make prices unable to exercise an effect in guiding production, circulation and expenditure, which is disadvantageous for adjustment and development of the national economy; (4) they decrease the correctness of calculation of output value and overall balancing in terms of prices by various departments of the national economy. Accordingly, in the process of reforming the economic management system, we urgently need reasonable price adjustment. But what kinds of prices are reasonable prices? What are the economic substantiation and standards for judgement of reasonable prices? These are questions which must be studied and clarified.

Prices are exchange relationships, and price levels directly affect the economic interests of both parties to exchange. If one party's price is high and the other's price is low, the one party will profit and the other suffer a loss. Accordingly, both parties in exchange must give consideration to price questions which affect the economic interests of both sides. It is a conclusion derived from many years' economic experience that we must admit that the socialist system of public ownership of the means of production, all enterprises were under collective ownership by the whole people or the workers, and their basic interests were in accord. However, socialist enterprises are

also independent of each other: they have relative independence. Every enterprise has to take responsibility for the funds and equipment allocated by the state, for the production and construction tasks assigned by the state and for its own employees' material interests, and as a result there are generally certain contradictions between enterprises' specific interests. Accordingly we must correctly handle the contradictions between their economic interests and the question of prices for the parties to exchange.

There must be a unified standard and yardstick for correctly dealing with contradictions between enterprises' interests and with the question of prices for the two parties to exchange, which we can use to determine whether or not prices are reasonable. If there is no such unified standard and yardstick, whoever is the more skilled in argument will ahve the better reasons on his side and will be able to get a better price for the products of his enterprise, while those who are not skillful in these activities will get worse prices. How, then, will we be able to harmonize the economic interests of the two parties to exchange and determine reasonable prices with an economic basis?

I believe that under the socialist conditions in our country, the standard for judging price levels for manufactured goods should be production costs. Only by requiring that prices of manufactured goods be determined in terms of production cost can we deal with the economic interests of the parties to exchange fairly effectively. Below we present some opinions regarding the determination of prices for manufactured goods in terms of production cost.

Production Costs Still Objectively Exist Under Socialist Conditions

Under socialist conditions there still exists a tendency to equalization of profits, and accordingly there must exist production costs. This is an objective requirement of socialized large-scale production and the commodity economy. Some people believe that there is no tendency to equalization of profits under socialist conditions, and that accordingly there are no production costs. The reason is that since there is no competition or free circulation of funds, there cannot be equalization of profits. It is true that under socialist conditions there cannot be free circulation of funds or competition such as under capitalism, but experience shows that under socialist conditions a certain degree of competition between enterprises is still needed. This competition creates a certain external pressure which stimulates the enterprises to improve management and to produce for socialism more good-quality, inexpensive goods which meet needs. As regards the question of free circulation of funds, a socialist country cannot refuse to invest in important items which affect the national economy and the people's welfare because the price is low. But low prices may hinder the growth of the development funds which these departments use for themselves, and also may affect the material interests of employees of these departments. The investing organizations must consider fund effectiveness for all investment items. Some high priced products may absorb larger investments; there are many examples. Some low cost products, particularly those in which price is lower than cost and which result in losses, may force the enterprises to decrease or even suspend their production; there are also many examples of this kind. This means that under socialist conditions there also exists the problem of fund transfer resulting from price

levels. Our understanding that under socialist conditions price laws can produce a certain regulating effect on production refers to this idea. Accordingly, a tendency to equalization of profits may exist objectively in socialist society, so that production costs must also objectively exist. It is only because equalization of profits objectively exists that we are able to use average profit as the yardstick for evaluating enterprise profit levels and as an economic lever to assist the rapid, planned, proportional development of the national economy.

The Significance of Pricing Manufactured Goods in Terms of Production Cost Under Socialist Conditions

1. Pricing manufactured goods in terms of production cost can stimulate socialist enterprises to give attention to conserving funds, and is in accordance with the requirements for development of modernized industry. Modernized industry differs from handicraft industry in requiring large amounts of funds. Its technical facilities are numerous, and it accordingly requires large fixed funds; it processes large quantities of raw and other materials and accordingly needs large quantities of circulating funds. The importance of funds in modernized production is increasing. In general, the greater the amount of equipment and raw and other materials, and accordingly of funds, per worker, the higher his labor productivity. But this is by no means unconditional. If the assets which he takes up do not have an effect on the production process, labor productivity will not increase. Accordingly, great attention must be given to the effectiveness of fund utilization. It is only when funds are thoroughly utilized that labor productivity can increase. For many years, our attention to the effectiveness of fund utilization has been quite inadequate, the utilization rate of large amounts of equipment has been quite low, and some of it has even been idle for long periods, materials have been in storage for too long, products have not met needs and have been difficult to sell, and the rate of circulation of funds has been very slow. Funds are accumulated bit by bit by working people through arduous labor, and if inadequate attention is given to their utilization and they are largely kept tied up, this is a waste of the workers' and peasants' labor, which ultimately will gravely harm the development of the national economy. Under the current conditions, in which we are extremely short of funds, a stress on conservation and utilization of funds is of particularly great importance.

To stress conservation and utilization of funds and to increase the effectiveness of their utilization, we must investigate their profitability rate and use the average profitability of funds to evaluate the profit levels of different departments and enterprises, and make the form of value transformation, i.e. production cost, the basis for setting the prices of manufactured goods. Some people suggest that if we use production costs as a basis for setting prices, we may encourage people to use more funds and to waste funds. This situation could arise if we used the current status of funds to determine prices. If we do not ask whether the sizes of fund holdings are reasonable and whether the trades which have large amounts of funds could earn greater profits, we will naturally encourage people to hold large amounts of funds.

If we use the same principle to determine prices in terms of average profitability of production expenditures or in terms of average profitability of wages we will similarly reach the conclusion that we can cause waste of capital and waste of labor. We submit that setting prices on the basis of production costs will help encourage conservation of funds, is a precondition for normal use of funds by enterprises, and does not fail to take account of whether or not the funds are normally used. Under these circumstances, setting prices on the basis of production cost can cause most enterprises to earn an average profit on funds and can keep enterprises with high production costs which tie up large quantities of funds from earning average profits. If an enterprise wishes to increase its profitability and make a greater contribution to society, it must make an effort in two areas: decreasing production costs and conserving funds. With normal fund utilization, when an enterprise's production cost decreases, its profits can increase and its fund utilization rate also can be raised; and if an enterprise can use smaller amounts of funds without increasing production costs, produce the same output, and obtain the same profit, this enterprise's fund utilization rate will also be increased. In this way we can encourage enterprises to pay attention to the conservation and utilization of funds, so that they can request the equipment and materials they need and not what they do not need. Otherwise the equipment utilization rate will be low, the amount of funds held will be large, circulation will be slow, the fund utilization rate will decrease, and their contribution to society will become smaller.

If prices of manufactured goods are not set on the basis of production costs and profits are not evaluated in terms of average profitability rates of funds, but instead the average profitability of production expenditures or the average profitability of wage expenditures is used to set product prices and to evaluate profit levels, it will not be profitable to exert the effects described above. Because production expenditures are funds which are expended in the production process rather than the total amount of funds, the level of profitability of production expenditures cannot reflect the nature of utilization of all funds or the effectiveness of their utilization. Funds not expended in the production process are not reflected, i.e. if an enterprise is holding large amounts of funds, the profitability of production expenditures will not be able to decrease very much. This naturally is unfavorable for conservation of funds. Because wage expenditures occupy an even smaller proportion of fund utilization, if average profitability of wage expenditures is used as the basis for setting prices, there will be even less relation to fund utilization by enterprises, and accordingly it will be even less favorable for conservation and rational utilization of funds.

Some people say that use of the method of fixed fund taxes and total circulating fund credit can solve the problem of making people pay attention to conservation of funds, and that it is unnecessary to take any further account of profitability of funds or to set prices in terms of production cost. Actually, the method of fixed fund taxes and total circulating fund credit does use effectiveness to reflect fund utilization and is in accord with the requirement to investigate fund profitability and consonant with pricing in terms of production costs. Only pricing in terms of production costs can guarantee that

after the enterprise pays the fixed assets tax and loan interest it will still be able to achieve a more or less average income. If prices are set on the basis of average profitability of production expenditures or average profitability of wage expenditures, it may happen that after some enterprises with high-level organic structure and slow fund circulation have paid their fixed funds tax and loan interest, enterprise earnings will be very small, or there may even be a loss. This certainly is not in the interest of modernized industry.

Setting of prices in accordance with production cost and using the average profitability of funds to judge the enterprise's profit level or economic effectiveness involves the following problem: in general it requires not that the use of new machinery save human labor, but that the wage saving be greater than the added embodied labor. This requires that the utilization of new machinery decrease production costs and increase fund profitability, otherwise people will believe that it has no economic effectiveness. This requirement will unavoidably limit the use of new machinery to some extent, and will hinder the improvement of labor productivity to some extent. This differs somewhat from people's belief that in the future when a communist society is implemented, provided that the increased labor consumption for creating new machinery is smaller than the labor saving from using it, there will be an economic effect and the machinery should be used. But in our period of socialist construction, we have limited funds, and our capability for creating new technological equipment is limited, so that we must consider the problem of which industries utilize funds more effectively. When they all need them equally, we must use our limited funds and new technical equipment in the trades which can replace the largest amounts of manpower, and in those which can decrease production costs and increase profits the most. This will be beneficial to the development of the socialist economy and can cause all of society's funds to be used more effectively and labor productivity to increase more rapidly.

2. The setting of prices in terms of production cost is in accord with the economic interests of all enterprises taking part in specialization and cooperation, and is favorable to the expansion of specialized production. If the prices of parts and assemblies and also of the complete machine are set in terms of profitability of production expenditures, there is no way of harmonizing the economic interests of the enterprises engaging in specialized production, because according to the requirements of this price-setting method, it is production expenditures that are used to calculate profitability. Because the production cost of the entire machine already includes the costs of the parts and assemblies, it will naturally also include the profits made on them, which will result in double counting of the profit. The more levels involved in cooperation, the more times the profits will be double-counted, and the higher the calculated price. This is an important reason why the prices of so many assemblies, machines and sets of equipment are so high in this country. Because the distribution of profits among the parts and components and complete mahcines is inappropriate, many enterprises consider that producing their own assemblies, completely assembling the finished machines and making their own equipment is an important way of "saving on expenditures," "decreasing production cost," "increasing profits," and "making a greater contribution." Obviously this is not favorable to development of specialization and cooperation.

If prices are set on the basis of average profitability of production expenditures, and average profitability of production expenditures is used as the standard for judging enterprise profits, cases where there really is a profit but an effort is necessary to achieve it will generally be thought to be cases of unprofitability or losing ventures and no one will want to pursue them. For example, when specialized production was implemented in the 1960's, a finished machine plant handed over the production of certain parts and assemblies to specialized plants and concentrated its own manpower and funds on the production of several major assemblies and assembly of the final machines; this greatly increased the output of finished machines and of parts and assemblies, and the profitability of funds was increased. Because the parts and assemblies that were handed over the specialized plants were specially produced in large lots, the production cost was much lower than when the finished machine plant produced them itself, but when the average profitability was added in, the price might be higher than the production cost if the finished machine plant produced them itself. Accordingly, the finished machine plant's parts and assemblies replenishment costs might increase, which was detrimental to the profitability of production expenditures for the finished machine. Accordingly, the finished machine plant felt that it suffered losses by implementing specialized production. In reality, because it had implemented specialized production, increased its output, increased total profits, and conserved funds, it had increased the funds utilization rate, and the enterprise did not suffer a loss but realized a profit. It was only because the investigation method were different than an actual profit was viewed as case of loss.

Such a problem could not arise if production cost were used as the basis for determining the price of the finished machine or of the parts and assemblies, and fund profitability were used to judge the profit level. Because profits are calculated in terms of funds, rather than in terms of production expenditures, this basically avoids the problem of double counting of profits. For an assembly plant and parts and components plants to carry out specialized production, provided there are the same amounts of funds, they can obtain the same profits, their profit levels are determined on the basis of funds, and the economic interests of the enterprises are harmonized. If the finished machine plant and the parts and components plants do not wish to engage in specialized production, they must increase their holdings of equipment, personnel, and funds, and because the production efficiency of a plant carrying out the entire production process is not as high as that of a specialized plant, if their profit level and economic effectiveness are examined in terms of funds they will be clearly seen to be low. This will restrict plants which carry out the whole production process and will encourage specialized production.

3. Setting of prices in terms of production cost and the use of average profitability of production expenditures to evaluate the profit level is favorable to implementation of the principle of small profit and large volume. Small profit generally means small profitability of production expenditures, and the profitability per unit product is somewhat lower. For some types of production, with a small profitability of production expenditures and a rather

low profit per unit product it is possible to achieve large sales volume, and the enterprise can achieve a higher total profit by expanding products sales than with sales at a normal profit, thus achieving a higher profitability of funds. If the average profitability of production cost is used to determine profit levels, and the average profitability of production expenditures is used to determine the price, it will be necessary to achieve the same profitability for production expenditures for each output unit, so that there will be no way to implement the principle of small profit and high volume.

4. Setting prices in terms of production cost is favorable to harmonizing the economic interests of the industrial and commercial links. When commodities leave the factory, generally they must pass through wholesale and retail commerce before they reach the consumer. Thus there arises the problem of how to harmonize the economic interests of the industrial and commercial links. Currently commercial profits are distributed on the principle of "greater for industry than for commerce," and in its implementation there are relatively many disputes between industrial and commercial enterprises. The comrades in commercial enterprises think that "greater for industry than for commerce" means that the distribution of profits between industry and wholesale commerce should not include retail commerce. The comrades in industrial enterprises believe that it should include retail commerce. "Greater for industry than for commerce" in distribution of profits refers to the distribution of profit on a commodity, not distribution of profitability. For example, if there is a profit of 1 yuan on an aluminum pot, the industrial enterprise should earn more than 0.5 yuan and the commercial enterprise less than 0.5 yuan. In reality, if we make the determination in terms of profitability of funds, the result of this kind of distribution is not necessarily "greater for industry than for commerce," but may give commerce a greater share than industry. If the factory price and retail price of a manufactured item are determined on the basis of production cost, industry, wholesale commerce and retail commerce all have the potential to obtain fund profits which are approximately at the average level, the disputes described above are relatively easy to settle, and the interests of industrial and commercial enterprises are easy to harmonize.

Pricing of Industrial Goods in Terms of Production Cost, Combined with the Tax Lever, Makes It Possible to Handle State, Enterprise and Individual Income Better and to Bring the Economic Lever Effect Into Play

One of the important problems which must be solved in the reform of the economic management system is that of setting up a system which implements the socialist principle of material interest. For the enterprises, this requires the linking of enterprise and employee economic interests to the quality of enterprise management. The withdrawing of a certain percentage of profits for the development fund, the collective welfare fund, and the employee incentives fund, which as a group are called the enterprise funds, is an important reform in implementation of the principle of material interest in distribution. Currently, irrational prices are gravely hindering the implementation of this reform. Only adjusting costs of industrial goods in terms

of their production costs, together with a reform of the tax system, will favor the implementation of this reform. Perhaps we can think of it this way: if prices of manufactured goods are set in accordance with production cost, the various industries will all have a chance to obtain fund profits which are roughly at the average level. Then, on the basis of fund holdings per employee, we can institute the principle of withdrawals for the enterprise funds according to a decreasing percentage (of profit), or of taxing income according to an increasing percentage. In this way we can both take account of the development needs of branches with different fund organic structures and avoid a great disparity between various enterprises' collective welfare and incentive funds. For example: assume that there are two industries: industry A has 1 million yuan in funds and 20 workers, so that there is 50,000 yuan of funds per worker, while industry B has 2 million yuan in funds and 200 workers, so that there is 10,000 yuan per worker. If the average profitability of funds is 10 percent, and prices are set in terms of production costs, industry A's profit is 100,000 yuan and industry B's profit is 200,000 yuan. In terms of the need to expand production, the two industries could receive enterprise expansion funds at about the same percentage of funds; for example, 20 percent of profits can be taken out for both, so that 20,000 in funds will be withdrawn for industry A and 40,000 yuan for industry B. But in terms of withdrawals for the collective welfare and incentive funds, the two industries' percentages should not be the same. If they are the same, the welfare and incentive funds per worker will differ far too widely for the two industries. For example, if the withdrawals are both at 10 percent of profit, industry A will receive 10,000 yuan and industry B 20,000 yuan, which comes to 500 yuan per employee in industry A and 100 yuan per employee in industry B; one figure is several times the other. Accordingly, withdrawals for these funds cannot be made on the same percentage basis. The difference is the result of the different quantities of funds per worker, and the solution should be worked out in these terms. Deductions for the enterprise funds should be made in terms of a decreasing percentage in the case of different fund levels per worker in different industries; in the above example we may consider having the percentage of profits withdrawn for the enterprise fund in industry B be 30 percent and that in industry A be 25 percent. Or we can equate taxation to payment of part of profits by converting the payment of a percentage of profits to higher levels to a graduated income tax, so that enterprise B will h-ve to pay a 70 percent income tax and enterprise A a 75 percent income tax.

When we say that production costs are the basis on which the prices of manufactured goods are determined, we do not mean that the prices of all manufactured goods always must agree with production costs. The production cost is simply a center of gravity around which the costs of manufactured goods can fluctuate. Its reflection in price setting will have to be based on different policy requirements and be differentiated according to circumstances. Equal value exchange should be the basic idea of price policy, and a large proportion of prices for manufactured goods should be in general agreement with production costs. The use of a divergence between cost and value (production cost) to achieve certain political or economic goals is also an important part of price policy. Accordingly, there will certainly be some

manufactured goods whose prices will be at variance with production costs. Temporary influences, such as temporary changes in the supply and demand situation for certain manufactured goods, can result in price increases or decreases which are at variance with production cost; but after production is adjusted and supply and demand reach a new equilibrium, prices should still be in general agreement with production costs. In the case of manufactured goods for which it is necessary to maintain a relatively long-term divergence between price and production cost, the state should use tax collection policy to adjust enterprise profits, and do everything possible to enable the enterprise to maintain roughly average fund profits, so as to harmonize the economic interests of different enterprises. In the case of tobacco, liquor and the like, it is necessary to adopt a policy of high prices in order to limit consumption, but in order to prevent the manufacturing enterprises' from exceeding average fund profitability, the state has adopted a high tax policy and has centralized these profits. In addition, when a low-price policy is adopted for some everyday necessities so as to keep the people's daily life stable, the state can use a low-tax or no-tax policy to make the enterprises able as far as possible to achieve average fund profitabilities.

Some comrades are concerned that setting prices in terms of production cost might cause large increases in the prices of products of industries with high-level organic structure, and large drops in the prices of industries with low-level organic structure. Experimental calculations indicate that if pricing in terms of production cost is combined with use of the tax lever, this kind of problem will for the most part not arise. At present, our country has modernized industries with high-level organic structure, and their product prices are generally rather high, so that basically there is no problem of a large increase in product prices in these industries. At the same time, in the case of certain industries which have a particularly great effect on the national economy and people's livelihood, which have relatively high-level organic structure, and need relatively large amounts of funds, a slightly low fund profitability rate would not necessarily have to be raised to the average for the society. Under socialist conditions, average profits are not absolute. Maintenance of rather low profitabilities in certain industries on account of the reasons mentioned above is both necessary and permissible.

Some Problems of the Specific Implementation of Pricing According to Production Cost

One difficult problem which must be overcome in pricing according to production cost is how to calculate simply and easily the price which corresponds to average fund profitability for each type of manufactured goods. Under capitalist conditions, commodity prices are formed in market competition, and market prices fluctuate around production cost as a center, so that in general each industry can realize an average fund profit level. Under our country's socialist conditions, the prices of the main group of commodities are set in planned fashion by the state, while those of the next most important group are also indirectly controlled by the state plan. Even when the state determines the price of every commodity, pricing according to production cost

must consciously embody production costs so that the enterprises can obtain roughly average fund profit levels for all products. Thus we need to solve the problem of how to compute simply the average fund profit which should be obtained for each commodity; if this problem is not properly solved it will be impossible to institute pricing in terms of production cost. In the case of industries with just one product, it is not at all difficult to calculate the average fund profitability that should be obtained for each output unit. But for industries which produce a wide variety of products, it is really quite difficult to calculate the quantity of funds used in the production of each product and the profit that should be obtained for it. Below we introduce a relatively simple and convenient method for general study and investigation. The method is as follows: we first use the average fund profitability rate to calculate the size of the profit which should be obtained industry by industry (the more detailed the subdivision of industries the better, and too coarse a division will not produce a good effect), after which we calculate the corresponding production expenditure profitability which each of these industries should have. The prices of the various commodities directly calculated for different industries using their different production expenditure profitabilities and suitably related to average fund profitability are in general agreement with production cost requirements, and by and large can enable enterprises to obtain roughly average fund profits.

Marx and Engels made the following penetrating analysis of the relationship between fund profitability and production expenditure profitability: "If we now calculate profit on the basis of the production cost of a commodity, we will obtain a profitability :/K, where P is the profit realized in a year and K is the total production cost of the commodities produced or sold in the same period. Obviously, this profitability P/K can only be equivalent to the real profitability P/C, i.e. the profit divided by total capital, if K=C, i.e. if the capital is turned over exactly once in the course of a year."[1] "When the turnover figure (i.e. for 1 year - Author) is less than the total capital, the profitability calculated in terms of product production cost will be higher than the real profitability calculated in terms of total capital; ... if the total capital is less than the turnover figure, the profitability calculated in terms of production cost will be lower than the profitability calculated in terms of total capital."[2] Marx' and Engels' incisive analysis of the relationship between capital profitability and production expenditure profitability tells us that when the fund profitabilities of the various industries are generally equal, the production expenditure profitability will be equal to the average fund profitability for industries with a fund turnover period of 1 year; for industries with a fund turnover period shorter than a year, the production expenditure profitability will be less than the average fund profitability; and for industries where the fund turnover period is longer than a year, the production expenditure profitability will be greater than the average fund profitability. For example, let there be 3 industries, each of which has 1 million yuan in funds, and an average fund profitability of 20 percent. If funds turn over once a year in industry A, so that total capital is equal to production expenditure for a year, assuming an average fund profitability of 20 percent, the profit will be 200,000 yuan, and the production

1. Marx, "Das Kapital," Renmin Publishers 1975 edition, Vol 3, p 253
2. Marx, "Das Kapital," Vol 3, p 254

expenditure profitability will also be 20 percent. If funds turn over twice a year in industry B, so that total production expenditure in a year is twice the total funds, or 2 million yuan, then using the average fund profitability of 20 percent, the annual profit will be 200,000 yuan, and the production cost profitability will be 10 percent. If the funds turn over 0.8 times in a year in industry C, so that total production expenditure is 800,000 yuan, the annual profit calculated from an annual fund profitability of 20 percent will be equal to 25 percent of total production expenditure.[3]

The relationship between fund profitability and production expenditure profitability can be shown in a table as follows:

	Funds (yuan)	Annual turnover rate	Annual production expenditure (yuan)	Profit calculated at 20% fund profitability (yuan)	Percentage of production expenditure (production expenditure profitability)
Industry A	1 million	1	1 million	200,000 yuan	20%
Industry B	1 million	2	2 million	200,000	10%
Industry C	1 million	0.8	800,000	200,000	25%

If we express this in formulas, the relationship is:

$$\text{fund profitability} = \text{production expenditure profitability} \times \text{annual fund turnover rate}$$

or

$$\text{production expenditure profitability} = \frac{\text{fund profitability}}{\text{annual fund turnover rate}}$$

Because

$$\text{fund profitability} = \frac{\text{annual profit}}{\text{funds}} \times 100$$

$$= \frac{\text{annual profit}}{\text{funds}} \times \frac{\text{annual production cost}}{\text{annual production cost}} \times 100$$

$$= \frac{\text{annual production cost}}{\text{funds}} \times \frac{\text{annual profit}}{\text{annual production cost}} \times 100$$

$$= \text{annual fund turnover rate} \times \text{production expenditure profitability},$$

3. Regarding calculation of fund turnover, "Das Kapital" says: "In commercial experience, turnover is generally calculated incorrectly. Provided that total commodity prices reach the same level as total capital used, people believe that capital has been turned over once. But is is only when the total commodity production cost is equal to the total capital that capital turns over completely." ("Das Kapital", Vol 3 p 254). The latter method is used to calculate fund turnover in this article.

we have:

$$\text{production expenditure profitability} = \frac{\text{fund profitability}}{\text{annual fund turnover rate}}$$

It is only because of this relationship between fund profitability and production expenditure profitability that we can use the industry-by-industry production expenditure profitability to establish specific product prices which are in accordance with production cost requirements.

Pricing in terms of the industry-by-industry production expenditure profitability is the usual method of setting factory prices of manufactured goods. But the commercial link generally sets prices in terms of sales profitability.

$$\text{sales profitability} = \frac{\text{profit}}{\text{sales}} \times 100.$$

There is also a specific relationship between sales profitability and fund profitability:

$$\text{fund profitability} = \frac{\text{annual profit}}{\text{funds}} \times 100$$

$$= \frac{\text{annual profit}}{\text{funds}} \times \frac{\text{annual sales}}{\text{annual sales}} \times 100$$

$$= \frac{\text{annual sales}}{\text{funds}} \times \frac{\text{annual profit}}{\text{annual sales}} \times 100$$

= annual fund turnover rate calculated in terms of

sales x sales profitability,

so that

sales profitability = fund profitability / annual fund turnover calculated in terms of sales.

The annual fund turnover rate for each industry calculated in terms of sales divided by the average fund profitability gives its sales profitability corresponding to average fund profitability. If the commodity sales price for the commercial links calculated with this sales profitability rate is in accordance with the average fund profitability, under normal rational management conditions all of the commercial links will obtain fund profits which are roughly at the average level.

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PRICING OF MANUFACTURED GOODS ACCORDING TO QUALITY DISCUSSED

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[Article by Yang Hongdao [2799 1347 6670]: "On the Problem of Pricing Manufactured Goods In Terms of Quality"]

[Text] Pricing according to quality is an important principle of our country's price policy. Conscientious implementation of the principle of pricing according to quality is an important embodiment of the state's correct use of the price laws in support of socialist construction.

Pricing according to quality is the use of quality grades to set the prices of commodities of the same kind and different quality; this causes quality differences to be reflected in the price so that good quality receives a good price, poor quality a low price and equal quality equal prices. In a socialist society, continuous improvement of product quality is one of the basic tasks of all production departments. Product quality strongly affects the vital interests of the masses, the speed of socialist construction, and the implementation of the four modernizations. Without, quality there is no quantity; without high quality, it is hard to maintain a rapid pace. Accordingly, actively taking steps to produce continuous improvement in product quality is the main task of leading organizations at all levels and enterprises. And pricing according to quality is an important method of causing product quality to improve continuously.

There are a good many problems involved in pricing according to quality. This article is intended to propose some simple views regarding the economic basis for pricing according to quality and several related problems.

1. The Economic Basis of Pricing According to Quality

Every commodity has utility value, and without utility value it cannot be a commodity. But the utility values of different commodities are different and cannot be compared. The reason that commodities can be exchanged is that they are all products of labor. They embody the expenditure of a certain amount of labor. Labor has a dual nature. Specific labor creates utility value,

while abstract labor creates value. As values, all commodities have the same nature, and can be compared numerically. Accordingly we can carry out exchange. Any commodity has both utility value and value. There are no commodities without utility value, and utility value without value does not constitute commodity. Commodities are the unity of utility value and value.

The value of a commodity is determined in terms of the socially necessary labor required to produce it. Exchange at equal value is the basic principle of the theory of value. In practice, because it is impossible to calculate socially necessary labor directly and precisely, we use such formations as production cost, profit, taxes and prices to approximately reflect value and its changes. The production cost, profit and tax of a product approximately reflect the embodied labor and labor value added expended on a commodity during the production process. Products on which considerable embodied labor and labor value added are expended have high production costs and accordingly high value; in the reverse case the value is low. However, the embodied labor and labor value added which we are describing here refer to "the working time required to produce any unit utility value under the existing standard social production conditions and using the social average labor proficiency and strength" rather than the actual labor consumption for an individual enterprise.

Quality is one of the principal expressions of product utility value. Commodity utility value is not of the same nature in different commodities and accordingly is not comparable. But for products of the same kind it is of the same nature and is comparable. Pricing according to quality is taking comprehensive account of the commodity's utility value situation when determining price so that the price will correctly express quality differences among products of the same type. But just what is the economic basis for pricing according to quality? Is it utility value? Since price is the monetary expression of value, is pricing according to quality still an expression of changes in the commodity's value?

To answer this question, we must make an analysis in terms of the various factors which make a commodity's quality high or low.

A. Differences in the Material Quality of Raw or Other Materials

Differences in the material quality of raw or other materials (including the manufacturing formula) are a principal factor producing high or low product quality. They can affect such internal qualities as its neatness and its brightness and luster: for example, a change to copper or aluminum where iron was generally used as the starting material, or a change to plastic where cloth was formerly used. Although the same raw or other materials are used for certain products, because moisture-proofing, rustproofing, heat treatment or other special processes are used, the materials are changed, which affects the commodity's quality. These types of material differences in the raw or other materials directly express differences in the embodied labor reflected in the commodity. When there are changes in the embodied

labor, there are changes in the commodity value. Pricing according to quality must manifest these changes and make different prices express the quality differences.

B. Differences of Production Technology or Conditions

Some enterprise use rather precise equipment, have a high level of mechanization and automation, use relatively rational and advanced production processes and have relatively scientific and economical product design, so that in general the products they produce have higher quality than those of enterprises with relatively poorer production technology and conditions. For example, in such industrial departments as machine building, instrument making and metallurgy, in order to bring the products to a certain level of precision and improve their capabilities, remove interior or exterior product defects and the like, it is necessary to provide relatively good production technologies and conditions. Differences in these respects reflect to a certain degree differences in the embodied labor in the product, and in particular they reflect differences in the effectiveness of the labor value added in the production process.

C. Differences in Degree of Technical Proficiency

Differences in the degree of technical proficiency of the workers have a major effect on product quality, as everyone understands. In the same 8 hours' work, highly proficient workers can produce more and better products, while not very proficient workers will produce fewer and worse. Even the same worker can produce a few inferior articles along with many products which are up to standards. The production circumstances in which the different technical proficiencies of workers can result in products of different quality in the same working time express the difference between complex labor and simple labor and between high-level labor and low-level labor. Marx said: "Higher-level more complex labor is just as much an expression of the labor force as social average labor. However, this type of labor contains more educational expenditure than simple labor, and more laboring time has been expended on its creation; accordingly it has higher value. If the value of this labor is higher, its expression is high-level labor, and accordingly its objectification in a given time period is a relatively high value."[1] He also said: "In the process of formation of each value, high-level labor must constantly be reduced to social average labor; i.e. one day's high-level labor is reduced to X days' simple labor."[2] Accordingly, commodity quality differences resulting from differences in worker proficiency levels still may be embodied as differences in the amount of labor value added to a product. The acceptable and inferior products produced by one and the same worker can also be referred to the problem of the number of days' simple labor to which one day's actual labor reduces. These differences are all crystallized in the product value. Accordingly pricing according to quality must express the product quality level produced by these factors; its economic basis is still value.

D. Different Packaging and Transport Conditions

1. Marx, "Das Kapital," Renmin Publishers 1953 edition, Vol 1, pp 217-218
2. Marx, "Das Kapital," Vol 1, p 219

Differences in product quality are produced not only in the production area but also in the circulation area. Such matters as whether or not the packaging is attractive and strong and whether or not it can assure that the product will not be damaged during transport also affect the product's quality. Generally, people set considerable store by the shape, pattern, color and material of the packaging of certain commodities such as cosmetics and handicraft and art items, and their transport requirements are also relatively stringent. There are many particular packaging requirements for preservation of the quality of certain products; for example, the packaging of objects exported to tropical regions must be moisture-proof, acid-resistant and salt-resistant The packaging of some items actually forms part of the product itself, as in cigarette packages, wine bottles, candy wrappers, cookie boxes and the like. Accordingly, for many commodities the presence of packaging and its quality has a major effect on its quality and its sales. Many customers only choose products on the basis of the attractiveness of their packaging. Sometimes the labor of packaging and transport accounts for a large proportion of the product's value. Differences in packaging and transport result from differences in the embodied labor and labor value added in the circulation process. The commodity circulation process is a process of actualization of commodity value. The labor expanded on packaging and transport is productive labor and is also value-creating labor. Accordingly, the product quality resulting from differences in packaging and transport also reflects differences in commodity value.

E. Differences in Natural Conditions

This type of factor is mainly expressed in the excavating and lumbering industries. For example, coal is obtained by excavating natural deposits. It has no value in itself: its value is determined by the amount of labor utilized in extracting it. In terms of its individual value, the more labor expended the greater the value. However, the utility value of this product differs in accordance with different natural conditions. With the expenditure of the same 8 hours of work, the coal extracted from some mines will have low average ash content and high quality, and can be sold for a high price; the coal extracted from other mines has high ash content and low quality and can only be sold for a low price. The difference in these price levels is produced by different land rent levels resulting from differences in the richness of these resources, and the different land rents are part of the value created by labor and are the size of the difference between individual value and social value. Accordingly, pricing in terms of product quality resulting from different natural conditions also uses value as the economic basis.

2. The Relationship of Quality to Production Cost

Above we used an analysis of the five main factors which produce differences in product quality to show that quality differences in products of the same type almost all reflect differences in embodied labor and labor value added in the production process and differences in product value, and thereby explained that the economic basis of pricing in terms of quality is product value.

Does this mean that when implementing the principle of pricing according to quality we should only consider changes in product value, while changes in utility value are not relevant? Of course not.

First, the aim of pricing according to quality is the setting of price in terms of product quality, so as to encourage continuous improvement of the products of all enterprises and thus help develop the national economy and accelerate modernization construction. Since quality is the main expression of utility value if we fail to take into account changes in utility value how can we set prices according to quality?

Second, a product's utility value is the material bearer of value. Although it does not constitute a physcial embodiment of value, cannot determine whether a product's value is large or small, and accordingly is not an economic basis of pricing according to quality, because the utility values of products of the same type of the same nature and are comparable, and as because, as we said above, product quality changes reflect value changes, there is accordingly a definite relationship between changes in the quality of products of the same type and their value.

We can make this clear by means of an example.

Suppose that under standard social production conditions, producing a light bulb requires the expenditure of an hour of labor, which is expressed as a value of 0.5 yuan; production of two light bulbs requires the expenditure of 2 hours of labor and is expressed as 1 yuan of value. This means that in the production of a given kind of product, if the utility value produced is doubled, the amount of socially necessary labor expended on it, and its value, are also doubled. Here the utility value and the value are in direct proportion.

Now suppose that by improving its technology an enterprise has increased light bulb quality, so that the lifetime of a light bulb is increased from 1,000 to 2,000 hours, and one light bulb gives as much use as two other light bulbs. Now provided that the social value of such light bulbs is unchanged, the value which is expressed by the high quality light bulbs produced by this enterprise will accordingly be doubled.

The above example makes it clear that provided a commodity's social value is unchanged, changes in the utility-value quality of a given type of product produced by an individual enterprise will affect the amount of value which it contains.

But in practice, value cannot be directly and precisely calculated. Changes in value generally are roughly reflected in changes in production costs. Accordingly, pricing according to quality in production is really use of changes in production cost as the economic basis. We distinguish individual production cost and social production cost. We use social production cost rather than individual production cost as the standard in reflecting changes in value. Changes in individual production cost (regardless of how much it is related to changes in product quality) can only affect the size of profit or

loss of the enterprise which produces and manages the product in question and cannot form a basis for pricing in terms of quality. Accordingly, what we call pricing in terms of quality is really use of the social production cost of products of a given type with a certain quality standard as a yardstick to judge many products of the same type produced by different enterprises. If a product's quality exceeds this level, its value is correspondingly increased, and we apply the principle of a good price for good quality; conversely, when a product's quality is lower than this level, its value should correspondingly decrease and the principle of low price for poor quality is implemented.

Here we should point out in particular that even though the economic basis of pricing in terms of quality is social production cost and not individual production cost, we cannot on this account neglect an understanding of the relationship between pricing in terms of quality and individual production cost. In the principle of pricing according to quality, individual production cost levels directly affect state, enterprise and employee interests. This is because when product quality is increased, individual production cost falls below social production cost, so that the enterprise not only provides society with more high quality products, but also can achieve excess profits. Thus the enterprise can furnish an increased material base for state finance, for enterprise development and for the employees' material interests. If product quality is poorer, and production cost is too high, it is very hard for the enterprise to earn ordinary profits and it may even suffer a loss. This is disadvantageous for the state, for the enterprise and for the employees. When implementing the principle of pricing in terms of quality, we must grasp both product quality and decreased production cost. If product is improved and at the same time production costs are greatly increased, this is not a true increase in product quality. Similarly, methods which aim only at output quality, which manufacture in a slipshod way or cut corners, which pass off the inferior as the good and which sacrifice product quality to achieve decreased production costs are also not true decreases in production cost. These two incorrect tendencies are at odds with the principle of pricing according to quality and must be overcome.

3. Some Associated Problems

The following related problems must also be taken into account in the pricing of manufactured goods according to quality.

A. Pricing According to Quality and Price Stability

Price stability is a guiding principle of our country's pricing policy. All pricing work must conscientiously implement this principle. How should it be implemented when pricing industrial goods according to quality?

First, we must recognize that pricing according to quality is not in contradiction with price stability. Price stability is not equivalent to frozen prices, and pricing according to quality does not mean price fluctuation. If we do not use the principle of pricing according to quality for products

of the same type but with different quality, but instead sell them at the same price, the consumers will compete to purchase the good-quality products and the poor-quality ones will not be in demand. Thus we must compel the leading departments to take steps leading to suitable price variations of commodities according to quality differences. In summary, there are always differences in product quality, and only by suitably adjusting prices according to quality can we preserve price stability. Accordingly, pricing according to quality is not a rejection of stable prices but a necessary measure for producing stable prices.

At the same time, we must also realize that in socialist society, because the production activism of the masses of employees is brought into play, the technological revolution, the technological innovation movement and the "emulate, learn from, catch up with, help, surpass" labor competitions are developing, and the quality of raw and other materials is being improved, the quality trend of manufactured goods is continuously upward. If as soon as quality is improved the price increases accordingly, this will result in continuously increasing prices, which is not in accord with the principle of price stability. Accordingly, when pricing manufactured goods according to quality, we must thoroughly take this point into account. All prices which should not increase must be resolutely kept unchanged, to guarantee the stability of the overall price level.

In general, the following circumstances should not affect price in an uncontrolled way:

(1) A change in quality but only a slight difference from the original standard;

(2) The original product did not meet the specified quality standard, and now it has achieved the standard by dint of an effort;

(3) Quality was previously dropping and the price was not correspondingly lowered, and now the initial quality has been restored;

(4) Because of the needs of socialist construction of actual circumstances, the state has set a new higher product quality standard, and the product quality is being judged by the new standard: the price may not be raised on the basis of the earlier, lower standard;

(5) An enterprise has pursued quality in an unreasonable way, and has unnecessarily used high quality materials or special processes;

(6) Products which have a major effect on the people's livelihood.

The above circumstances all assume that the initial price was basically reasonable. If the original price was really somewhat low or high, it should be adjusted. But this is not a problem of pricing according to quality, but rather a problem of adjusting prices. In sum, we must both use pricing

according to quality to stimulate production expansion and quality improvement and prevent the use of pricing according to quality as an excuse for concealed price increases. Only in this way can we guarantee correct implementation of the principle of stable prices and make the work of pricing according to quality exert its positive effect.

B. Pricing According to Quality and the Supply-Demand Relationship

In a socialist planned economy, the means of production are primarily distributed according to state plan, and their prices are basically unaffected by supply-demand relationships. But for various reasons, scarce items (i.e. items whose supply cannot meet needs) or surplus items (whose output exceeds needs) among the means of production. These problems generally should be solved by adjusting the plan, but suitable use of price levels can also produce a certain effect on the supply-demand relationship. In addition, if the prices of new products among the means of production are too high, so that units consider them to be unprofitable, this may also affect their sales. As regards means of subsistence, with the exception of those that are essential to the people's basic livelihood, their prices should be affected to a certain extent by the supply-demand relationship. If prices are high, less will be bought; if prices are low, more will be bought. Accordingly the supply-demand relationship is a factor which must be taken into account in price setting.

How should supply-demand relations be taken into account in pricing according to quality? According to the principle of pricing according to quality, any product whose quality is increased should have an increased price. But if this product is a type that is available in excess, it is in a state in which supply exceeds demand, and its price should not be increased. Accordingly, prices should generally be decreased for products whose supply exceeds demand in order to find buyers and decrease overstocks. If it is possible to improve quality, this may have the effect of decreasing overstocks by increasing utility value and opening sales avenues. In this case if we increase the price we may eliminate this possibility, so such steps are not suitable. In some cases when there is a clear increase in quality and production costs have also increased somewhat, if there is confidence that markets can be found, prices may be suitably increased with consideration of conditions. But the extent of the price increase should be less than the size of the increase in quality, in order to stimulate extended utilization of the product.

Conversely, if the product is in short supply, i.e. in a condition where supply is insufficient to meet demand, and if there has been some decrease in quality, should we decrease the price accordingly? We know that in socialist society, the state and the people both request that enterprises continuously improve product quality. Decreased quality is not in accord with the needs of socialist construction. Accordingly, in the case of products whose quality has decreased, in order not to allow the consumer to suffer a loss, and in order to encourage the enterprise to strive to improve product quality, even when supply is inadequate to meet demand, we should steadfastly implement the policy of pricing in terms of quality and decrease the price accordingly.

C. Pricing According to Quality and Price Levels

Another problem which must be taken into account when pricing according to quality is product price level. The price level is generally expressed in three ways:

(1) The size of product profitability. This generally is compared with the average profitability for the department. If the profitability of a product exceeds the average profitability for the department, its price level is high; and if it is lower than the average profitability for the department its price level is low.[1]

(2) Price comparisons with other products. Those which exceed reasonable price comparison relationships have a high price level and those which are below reasonable price comparisons have a low price level.

(3) Price connections with the same products in other areas. If they exceed reasonable area differences, the price level is high and if they are less than reasonable area differences the price level is low.

These three relationships must sometimes be considered in combination, while at other times we can make an analysis on the basis of a single datum and the decision must be made in terms of the specific product.

Every product has its own price level. Some of them are reasonable, some are too high and some are too low. Generally, price levels of most products are basically reasonable. Even if they are slightly too high or too low, they do not have any clear effect on pricing in terms of quality, and they may be ignored. But under two circumstances they must be analyzed and studied. One is in the case of products whose price level is too high and whose quality has increased. In such circumstances, we cannot mechanically increase the price accordingly on the basis of pricing in terms of quality. This is because the fact that the price level is too high means that a decrease in the price should already have been considered. Now, the quality has improved, reflecting an increase in both the utility value and the value, so that the initial price squares with the value trend, countering the excessively high price level. When product prices are arranged in each annual plan, in the case of the product whose original price level was too high, in view of the increase in quality the price should be either not decreased or slightly decreased so as to achieve a reasonable solution. The other circumstance is in the case of products whose price level is slightly too low and whose product quality has declined somewhat. Under these circumstances, it also is not suitable simply to impose the corresponding price decrease. On the one hand it is necessary to encourage the enterprise to take steps to restore quality and on the other, while maintaining the precondition of quality a reasonable arrangement of prices should be effected in order to solve the problem of the prices' having originally been too low.

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1. The product profitability discussed here is the average product profitability for all plants in the department producing the same product. For example, if the average profitability for a machine building industry department is 30 percent, that of all plants in the blower industry 50 percent and that for all plants in the machine tool 10 percent, in general terms the price levels for blowers are high and those for machine tools are low.

Finally, it must also be borne in mind that when changes have occurred in a product's quality and after analysis and study the difference in production cost has been calculated, the relevant data have been mastered, all relevant problems in all areas have been comprehensively taken into account and it has been determined that the price should be changed in order to implement the policy of pricing according to quality, the specific method can differ according to the circumstances. When product quality is improved, the specific method of pricing according to quality can be that of suitably increasing the prices of products with high quality and not changing the prices of older products; it is also possible to maintain the original price for high-quality products and suitably decrease the prices of older products; or it is possible to suitably increase the prices of high-quality products and at the same time suitably decrease the prices of older products. All of these approaches can achieve the aim of pricing according to quality. Whatever method is most suitable should be used, and the principle of an increased price for increased quality should not be followed invariably. When the quality has decreased, the price should generally be decreased. But the method of decreasing the price can be that of using past data to delimit quality grades in advance so as to determine the percentage of the decrease. For example, we may divide the products into grade 1, grade 2 and ungraded; the prices for grade 2 products can be set at 80 percent of those for grade 1 products and those of ungraded products at 50 percent of those of grade 1 products; or they may be divided into main products and supplementary products or into standard and utility products and the like, and the prices decreased according to a predetermined percentage. This will enable the producing enterprises to grasp the situation in advance so that they can promote a decrease in their number of supplementary or inferior products and increase the percentage of products meeting the standard. Or a temporary review of prices can be made on the basis of changes in quality. Only if we proceed in this way will the pricing of manufactured goods according to quality be able to adjust to the different circumstances of different kinds of products and more effectively stimulate improvement of product quality, thus exerting a greater influence on the development of the national economy.

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ECONOMIC PLANNING

GUANGDONG CHANGES POLICIES ON EMPLOYMENT OPPORTUNITIES

Guangzhou NANFANG RIBAO in Chinese 12 Sep 80 p 1

[Article: "Rewrite Policies To Open Up Job Opportunities; More Than 700,000 Jobs Are Expected To Be Filled This Year and Next; From Now On, Intellectual Youths Will Not Be Distributed According to 'Fixed Direction']

[Text] At the Provincial Employment Conference held yesterday (the 11th), various policies relating to the subject of employment were rewritten according to the guidelines established by the Party Central Committee concerning the solution of the labor employment question, and in accordance with the actual circumstances of this province. It has been decided that "both door leaves" (liangshan men) shall be opened wide to provide more job opportunities in order to develop both collective economy and individual economy.

This conference was held under the auspices of the provincial people's government. Altogether, 305 persons attended the conference. Those attending included leading comrades of various districts and municipalities and comrades representing the labor bureaus of various areas, municipalities, and counties, plus responsible members of the intellectual youth organizations. The conference was presided over by Guangdong Provincial Party Committee Secretary and Vice Governor Wang Quanguo [3769 0356 0948].

After the conference was opened on the 5th, the comrades attending the conference participated in an enthusiastic discussion about the guidelines decided on by the Party Central Committee concerning employment--that is, liberating thinking, relaxing policies, developing production, opening up employment opportunities, implementing job placement by [government] labor departments, and coordinating between voluntarily organized employment and those who seek employment under the government's unified leadership and according to its overall plan. The consensus of opinion was that these guidelines were perfectly suitable to the actual circumstances existing in this province today. Some of the major factors contributing to the employment problem include the "overly rigid" labor system, irrational employment structure, and serious dislocation between the educational system and the labor system. In order to solve problems related to labor employment, we must reform the entire economic system which includes the labor system as part of it. The fundamental path we must take is the path of carrying out, under the government's unified leadership and according to its overall plan, job placement by labor departments and coordinating between voluntarily organized employment and those who seek employment, by aggressively expanding collective economy which is responsible for its own profit or loss and also the individual economy which does not exploit others.

The conference considered that by allowing this province to take special policies and flexible measures in its external economic activities, the Party Central Committee has already helped this province develop its strongpoints, opening up employment opportunities and promising a prosperous future. Based on the characteristics of this province and its strongpoints, we should put more emphasis, this year and next, on the following areas in order to achieve the objective of opening up employment opportunities:

1) Develop various handicrafts and production of handcrafted art objects;

2) Develop commerce and service industires;

3) Aggressively expand compensatory trade and the processing and assembling industries;

4) Develop the building industry and the building materials industry;

5) Properly develop individual industry and commerce; and

6) Continue to manage well the joint agricultural, industrial, and commercial enterprises and agricultural, forestry, animal husbandry, and fishery activities in the rural areas.

According to a preliminary estimate, if these six items are managed well, more than 500,000 jobs can be created. Added to this, the employment by whole people units, filling vacant positions, and temporary job arrangements, more than 700,000 job placements can be expected to be made this year and next.

The conference considered that for the present, in order to facilitate the development of both collective economy and individual economy, the range of business operations for collective enterprises as well as individual operators should be relaxed, while the taxation system and the management system should be reorganized and improved. After an enthusiastic discussion, the conference passed the following reoslutions concerning reorganization of the various existing policies: 1) Change the progressive tax to a proportionate tax. In addition to the exemption of income tax for the first 3 years for all newly organized collective enterprises, the 3-year tax-exemption status will be extended to existing collective enterprises which establish in the cities a number of people waiting for the employment in excess of 60 percent of the present total number of employment and 1.5 years tax-exemption status will be extended to those which establish a number of people waiting for employment in the range between 30 and 60 percent of the present total number of employment. 2) Banks should be permitted to open accounts for the selforganized collective enterprises and individual economy and to issue loans to those units which are in need of financial assistance. 3) As for matters related to the supply of raw materials and the distribution of goods and resources, all enterprises should receive equally good care and enjoy the same rate of discount as do all nationally operated enterprises. 4) Those who are waiting to be employed by the various collective enterprises and the individual operators may start calculating their job seniority from the day their business license is issued. Retired skilled old workers and old artisans should be allowed to help young men who are waiting to be employed organize collective enterprises. 5) No unit may exchange without compensation anything belonging to the collective enterprise, be it personnel, finances, or physical property. The management fee charged must be reasonable, and if the profit after taxes is too high, it must be lowered proportionately. 6) The graduates of urban middle schools shall not be distributed according to "fixed direction." They should be placed within the cities, insofar as possible. Employ-

ment problems of those who cannot be placed within the cities must be solved by the joint efforts of the cities and the villages, arranged cooperatively by the combined industry-commerce enterprises and the suburban intellectual youth troops. The food relationship of the urban operators shall remain unchanged.

The conference concluded that vocational education and labor employment are closely related. [The former] has a great impact on raising the quality of the labor reserve force. In view of the present lackof cooperation between the educational system and the labor system, we recommend that middle school education should be reformed. It should put more emphasis on vocational training so that the educational system may become more compatible with the labor system.

Comrade Wang Quanguo spoke at the conclusion of the conference. He explained with emphasis that the employment policy of opening "both door leaves" is not a temporary measure but a fundamental guideline. This guideline must be implemented thoroughly and firmly. We must boldly explore every road, as long as such roads are beneficial to stability and unification and to the consturction of the four modernizations.

9113
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DEPRECIATION OF FIXED ASSETS DISCUSSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 80 pp 62-67, 52

[Article by Liu Biao [2692 2871], Ministry of Finance, and Tian Chunsheng [3944 2797 3932], Main Office, Construction Bank: "Several Problems of Depreciation of Fixed Assets in This Country"]

[Text] Recently, in investigating reform of the economic system, there has been extensive discussion of questions of depreciation of fixed assets in this country, and many excellent ideas have been put forward, which has unquestionably been helpful in improving this country's system of depreciation of fixed assets. However, some comrades believe that our country ought to use the rapid depreciation method used in developed capitalist countries, increasing our country's fixed assets depreciation rate on the basis of their depreciation periods. Otherwise, timely renovation of fixed assets may be hindered and technical progress impeded. We do not agree with this view. We believe that although the current fixed assets depreciation rate in this country is somewhat low, and should be suitably adjusted, adjustment of the depreciation rate should be based on our country's actual conditions and determined on a realistic basis; we must not mechanically copy foreign depreciation rates, much less use the fast depreciation method as used in the developed countries. Below we present some views on several relevant questions.

The Relationship of the Fixed Assets Depreciation Period to the Utilization Period

There must be an objective basis for determining the depreciation period for fixed assets. This objective basis is Marx's statement: "Calculation in terms of the average period over which they maintain their capabilities."[1] This means that the utilization period of fixed assets should be predicted in terms of three factors, their utilization conditions, "effect of natural forces" and unseen depreciation, and used to determine the depreciation period should be the same as the predicted utilization period of fixed assets; theoretically they should be in agreement. Only this approach is in accord with the function of depreciation as compensation for original fixed assets.

1. Marx, "Das Kapital," Renmin Publishers 1975 edition, Vol 2, p 176

In some countries which base themselves on a planned economy, the depreciation rate is based on the principle of having the two be the same. In Romania the average depreciation rate nationwide is 4.2 percent, and the depreciation period and the utilization period are approximately 24 years. This depreciation rate is slightly higher than the one used in our country, but the difference is small. The fast depreciation method used in developed capitalist countries is characterized by a divergence between the depreciation period and the utilization period. The compensation of value is much faster than necessary to compensate for the actual objects. When these countries set their depreciation rates high, this does not mean that when fixed assets have completed their depreciation period they are discarded. Relevant data and statistics indicate that in the United States the depreciation period for metalworking equipment is set at 10-20 years; but the utilization periods of only about a third of the equipment are within this time, while those of the other two-thirds extend beyond it. According to a report in BUSINESS WEEK, in 1,600 companies and factories surveyed, the average real utilization period for various types of equipment was 17 1/2 years, more than half again as long as the established depreciation period. Since the 1960's, in some developed capitalist countries the divergence between the fixed assets depreciation period and the utilization period has become increasingly marked. In the United States, for example, the depreciation period set by the government has gradually shortened, while the actual utilization period for machinery and equipment has shown a tendency to increase. According to the Soviet author S. Yelekeyev's "Depreciation of Fixed Assets in the United States Economy" the age breakdown of U.S. machinery and equipment is as follows:

(Percentage of total)

	Metal cutting machine tools			Press forging equipment		
Age breakdown	1963	1968	1973	1963	1968	1973
Less than 10 years	36.1	36.6	33.5	35.3	32.5	30.5
10-20 years	43.7	40.9	38.3	41.4	41.2	40.4
Over 20 years	20.2	22.5	28.2	23.3	26.3	29.1

If the above data given by BUSINESS WEEK and Yelekeyev are true, the actual utilization period for machinery and equipment in the United States is about 15 years, which is not much longer than the depreciation period for machinery and equipment in this country. According to accounting statistics for this country for 1978, the average fixed assets depreciation rate for industrial enterprises was 4.1 percent, and the depreciation period was 24 years (calculated without subtracting the residual value; if the residual value is subtracted, the depreciation period is less than 24 years; the same applies below). This depreciation rate is an overall rate which includes both machinery and equipment and buildings and structures. Buildings and structures account for 37 percent of fixed assets, and if we calculate in terms of a depreciation period of 50 years, the depreciation rate for this part of fixed assets is 2 percent. Machinery and equipment account for 63 percent of fixed assets

and the depreciation rate is 5.4 percent, with an average depreciation period of 18 years, 6 months. This means that the United States actual utilization period for machinery and equipment is about 16 years, while in our country it is about 18 years, which is not a very large difference. Accordingly, what differs relatively greatly from advanced capitalist countries is not the utilization period but the depreciation period. We use the normal depreciation method in which the depreciation period and utilization period are the same to calculate depreciation, while the developed capitalist countries make their calculations by the accelerated depreciation method in which depreciation period is at variance with the actual utilization period.

The developed capitalist countries' use of the accelerated depreciation method is the result of their social systems and economic characteristics. By using this type of depreciation system they can enable capitalists, and particularly monopoly capitalists, to gain large excess benefits. The shorter the depreciation period, the larger the depreciation allowance received by the capitalists every year, so that there is an imaginary increase in production costs and a corresponding decrease in profits, resulting in payment of a smaller income tax to the government. This tax decrease in reality represents an additional subsidy given to the capitalists by the government, which represents the capitalists' interests. Its economic significance is that it encourages the capitalists to recover their investments as fast as possible, expend capital accumulation, actively adopt new technologies, and consolidate and strengthen their competitive position. Even though the bourgeois government has set the accelerated depreciation rates in order to support and invigorate the capitalists, because of the internal contradictions of the capitalist system it still cannot enable them to escape from their economic depression and crisis.

The capitalist countries' accelerated depreciation method cannot be implemented by all companies. If certain small and medium-sized companies take too much depreciation, their profits will fall and they will have to cut back on dividends and bonuses, and the resulting losses generally will be greater than the tax savings advantages. Because the monopoly capitalists are rich in capital and have strong competitive ability, they reap the greatest benefits from accelerated depreciation. This is why we say that in reality the capitalist countries' accelerated depreciation method mainly serves the monopoly bourgeoisie.

We are a socialist country and the economic relationships between the state and the enterprise are based on the needs of national economic development and are adjusted in a planned way by the state's economic management system of the enterprises and by necessary economic measures. Provided that it is assured that the enterprises' fixed assets can be replaced and transformed at the proper time, the depreciation method in which the depreciation period and the utilization period are basically equal is favorable to effective management and to planned, proportional development of the national economy. If, as in the capitalist countries, we make the depreciation period very short, at variance with the actual utilization period for fixed assets, and set the depreciation rate very high, although the depreciation funds which the enterprise draws every year will be increased, the amount of profit which the

enterprise pays to the state will be decreased. As a result, state expenditures for capital construction investment and other various matters will be correspondingly decreased, which is unfavorable for adjustment of the national economy and implementation of the four modernizations. Accordingly, in studying the problem of depreciation of fixed assets in this country, we must start out from the overall interests of the national economy and must consider not only the enterprises' modernization and transformation needs but also the state's requirements for carrying out large-scale economic construction; neither should be overemphasized at the expense of the other. At present, in order to better stimulate the development of the four modernizations, we require a suitable expansion of enterprise financial powers. But the problem of expansion of enterprise financial powers should primarily be solved by reforming the system of profit distribution between the state and the enterprises. After combining downward delegation of financial powers with downward delegation of business powers and linking economic power with economic responsibility, we should adopt the method of retention of a part of profits, depending on the size of the enterprise's contribution, to give the enterprise the right of distribution of part of profits. Compared with the use of an imaginary increase in the depreciation rate to solve the question of enterprises financial power, is not this method more able to stimulate enterprise enthusiasm for improving operational management and increasing output and income?

The Relation of the Fixed Assets Depreciation Rate to Unseen Depreciation

Unseen depreciation of fixed assets is one of the important factors determining the depreciation rate. Too high or too low an estimate of unseen depreciation may have a major effect on the fixed assets depreciation rate. As everyone knows, there are two types of unseen depreciation of fixed assets. One kind is the loss resulting when the structure and capabilities of the fixed assets are basically unchanged, but because of continuing improvement of the labor productivity of the manufacturing departments, the social average labor consumption decreases and the value decreases, and the original fixed assets lose value. The other type is the loss resulting when new, advanced technological equipment with a greater economic results appears, so that continued use of the original fixed assets is not economically justifiable, and while the fixed assets have not yet lost their physical capabilities, they become obsolete ahead of time.

These two types of invisible depreciation both exist in our country. As socialist construction develops and labor productivity is continuously increased, product prices gradually fall. For example, in the 1950's the Jiefang automobile cost 21,000 yuan, while today the price has fallen to 14,000 yuan. Our country also should pursue faster development of science and technology and continuously bring forth new, more efficient advanced technological facilities. Accordingly, there will unquestionably occur unseen depreciation referable to technological progress. But under this country's specific circumstances, the way we take account of the unseen depreciation factor in determining fixed asset depreciation periods is vastly different from that used in the capitalist countries. As regards the unseen depreciation of fixed assets

resulting from increased labor productivity, when the factory price of production equipment falls, an enterprise's holdings of this equipment also lose value. In capitalist countries, any product with usefulness can become a commodity and can be sold off. Whether or not an enterprise's fixed assets are sold, capitalists always want to use the market price to estimate their real value. In calculating depreciation, if the capitalists did not take into account loss of value of fixed assets, they would feel that the depreciation was too small, and they would not be able to completely recover the capital originally invested in it and would suffer a loss. This is the reason why in working out the depreciation a capitalist country must take into account this kind of unseen depreciation. Although we are still a commodity producing society, the enterprises' fixed assets are used as instruments of labor, and other than a few unneeded fixed assets, in general they cannot be sold. Large decreases in the value of fixed assets mostly result from the state's decreasing the factory price of the equipment, so that all enterprises which hold this equipment have to adjust the value of their fixed assets downward at the same time. Because they are all enterprises under the socialist ownership system, there is no question of loss, it is merely that everybody makes a change in the price figure. Although the total depreciation funds drawn are less than the original investment, because the replacement value of the fixed assets is decreased, the possibility of replacement is assured. If the state only adjusted the factory cost downward and did not correspondingly adjust the enterprises' book value for the fixed assets, there would be even less question of any loss. On the contrary, because the enterprise would continue to draw depreciation funds on the basis of the original value of the fixed assets, by the time they were replaced the cumulative depreciation funds drawn would necessarily exceed their replacement value, so that the enterprise would obtain a sum for use in expanded reproduction. This is the necessary result of development of the productive forces of socialism, and it certainly does not require taking account of it in the depreciation rate as unseen depreciation.

When determining the depreciation rate, we must take account of unseen depreciation of fixed assets resulting from the appearance of new technology. For example, in the 1950's our country used side-blown converters to refine steel, and at that time their backwardness had not yet become apparent. By the time the advanced pure oxygen top-blown process had appeared in the 1960's, many shortcomings of the earlier process had appeared, and it was necessary to accelerate replacement and transformation. But because our country's technical policy is quite different from that of capitalist countries, to take account of this unseen depreciation we could not simply copy the method of the developed countries. Fierce domestic and international competition has forced the government and capitalists in the capitalist countries to use a relatively high depreciation rate and a rather short period for recovery of the investment in order to encourage the companies to adopt advanced technology and beat their adversaries in competition so as to survive. Under these circumstances, the depreciation rate not only thoroughly takes into account the fact of unseen depreciation, but exaggerates it in order to encourage upgrading of products. Our country's conditions are obviously different. In order to speed up economic development, on the one hand we must energetically raise

our scientific and technical level, make extensive use of the advanced achievements of science and technology, and do everything possible to use new more efficient technologies to equip our country's production enterprises, particularly the key ones; on the other hand, because at present our country's industrial foundation is rather weak, and manpower resources are extremely plentiful, we generally do not take the approach of discarding earlier equipment which is technologically rather backward, but instead use the principle of unearthing latent potential, remodeling and transforming, so that through technological transformation it is converted into advanced process equipment. A major characteristic of our technical policy is that we normally take account of progressiveness, but also of economy and capabilities in planning for the use of advanced, medium and backward process equipment, so as to use material resources and manpower resources thoroughly and obtain optimum economic results. Many years' practical experience in this country indicates that after industrial development reaches a certain scale, to unearth latent potential of older equipment, modernize it and transform it costs less than constructing new plants and procuring new equipment, produces faster results and gives a faster return. An example is the excellent results obtained by the Shanghai textile industry in equipment modernization and transformation. This industry's total industrial output value for 1978 had increased 6 times over 1949, while the profits paid to the higher levels had increased 44 times. Currently the financial income which it provides every year to the country is enough to construct nearly two bases on the same scale as the Shanghai textile industry. This achievement was accomplished primarily by unearthing latent potential of older enterprises and modernizing and transforming them, including repeated technological transformation of older equipment. Some equipment in large enterprises which is clearly backward and not suitable for use is not simply abandoned but rather is sold to medium and small-sized enterprises or collective enterprises for continued use, so that it continues to make a contribution to the state. Some industries with low-level organic structure and high labor intensity, such as certain light and handicraft industries, can also take the approach of using more manpower, which not only solves the problem of finding jobs for unemployed youth but also fills gaps where the technological level of machinery and equipment is low. Of course, machinery and equipment which consume large amounts of energy and raw and other materials, whose processes are extremely backward, which pollute seriously and which do not pay, should be used to only a limited extent and produced only to a limited extent, and should be weeded out.

Even in developed capitalist countries older backward machinery and equipment is not all abandoned. The capitalists are not stupid, and in order to maximize profits they do everything possible to extend the useful life of fixed assets. They even remake certain fixed assets so that they can keep up with advanced scientific and technical standards. Some fixed assets are only mothballed in depressed conditions, and as soon as there is an economic recovery they are again put into production. This is an important reason why utilization periods of fixed assets in these countries are rather long.

The Relationship Between the Fixed Assets Depreciation Rate and the Level of the Productive Forces

The level of a country's depreciation rates is closely related not only to such factors as the nature of the social system and the technical policy but also to the country's scientific and technical level and the level of development of the productive forces. The reason why developed capitalist countries can greatly increase their depreciation rates is not only competitive requirements but also their objective capabilities. These countries' scientific and technical level and level of development of productive forces enable them to provide large quantities of advanced equipment for replacement. This is also an important way of finding markets for their immense productive forces. Otherwise the problem of excess production in the capitalist world would become more pronounced. Currently our country's scientific and technical level and its level of productive forces are still rather low. If we look at both the quantity and quality of our equipment, they are quite inadequate, and high-grade, precision, advanced equipment and highly automated equipment are in particularly short supply. Even at the present depreciation rate we still cannot provide the production equipment and raw and other materials which the enterprises want to buy with the depreciation funds they have drawn; the shortages are great. If we were to make a further large increase in the depreciation rate, the contradiction of money but nothing to buy with it would become even more pronounced and the funds for which purchase of commodities could not be assured would go everywhere, and would damage planning and wreck the overall balance of productive construction. This would of course be unfavorable to the development of the entire national economy. Historically, the depreciation rates of the developed capitalist countries also passed through a development process. When their scientific and technical level and level of productive forces were low, their depreciation rates were not very high. For example, before 1951 the depreciation period in France was 15-20 years, while later it was decreased to 8-10 years. Before 1950, the average depreciation period for equipment in Japan was set at 21 years. Starting in 1961, the depreciation period was repeatedly shortened, and currently the standard depreciation period for machinery and equipment is 7-14 years, while it is 10 years for metalworking equipment. In 1942 the United States promulgated "Announcement F" which set the equipment depreciation period at 20 years; the period for ferrous metallurgical equipment was 25 years, and that for metalworking equipment was 15-25 years (15-20 years according to other data), that for textile equipment was 40 years and that for railroad equipment 28 years. The depreciation periods were decreased in the postwar years of 1946, 1950 and 1954. The depreciation periods set by new depreciation standards in 1962 were 30-40 percent shorter than in 1942, and the average depreciation rate reached the current level of about 8 percent. In 1971 a 20 percent variation up or down from the 1962 levels was permitted. From this it can be seen that the current rather high depreciation rates in developed capitalist countries developed in several steps rather than being established all at once. The process of gradual increases in these countries' depreciation rates was also a process of continuous development of science and technology and the productive forces. If it is argued that our country's depreciation rates should be set in terms of the capitalist countries' depreciation rates, it would seem that we should also select the depreciation rates from the periods at which their scientific and technical level and productive forces level were equivalent to ours, for we absolutely must not rigidly adopt the depreciation rates prevailing abroad without looking into specific conditions.

Accelerating modernization of our country's process equipment is an extremely complex problem, which requires good work in all aspects and planned, gradual implementation. Currently some comrades advocate increasing the depreciation rate but have taken little or no account of material or technical conditions, and it seems that once the depreciation rates are increased antiques will turn into fashionable goods, outmoded equipment can be abandoned and advanced equipment will be available; but this is unrealistic. It must be said that the level of depreciation rates has a certain effect on economics and technology, but the decisive factor is still the development of the economy itself. Currently our country's economic strength is still rather weak, and our financial and material resources are limited; this is a real circumstance which we cannot fail to take into account when studying the fixing of our country's depreciation policy and depreciation rates.

For many years, in addition to our country's enterprises' using the depreciation funds which they draw to carry out modernization and transform fixed assets, the state has also given the enterprises large amounts of funds for equipment modernization and technical transformation in the form of financial associations and bank loans. Data from the relevant departments show that in 1978 funds in the form of state allocations and loans used for enterprise modernization of fixed assets and technical transformation amounted to 60 percent of the depreciation funds drawn by enterprises (including modernization and transformation funds drawn by the excavating and lumber industries on the basis of output, and not including some depreciation funds collected by the financial authorities from the enterprises and later returned to them). If these funds are added to the fixed assets depreciation rate, the real fixed assets depreciation rate for our country's industrial enterprise is not 4.1 percent but more than 6 percent. When our country's depreciation rate is compared with foreign depreciation rates, this factor must be taken into account.

The use of state allocations and bank loans to support enterprise modernization and transformation is aimed primarily at solving rather large-scale and industry-wide modernization and transformation, at overcoming weak links in the national economy at particular times and at stimulating the planned, proportional development of the national economy. Currently we must concentrate on seeing to the needs for energy, light textiles and certain urgently-needed raw and other materials and products which are in short supply, in order to help change the economic structure and stimulate economic readjustment. To solve this critical need by an across-the-board increase in the depreciation rate for fixed assets is clearly unsuitable, because the focus changes; it may change with the changing requirements of different developmental stages, while an increase in the depreciation rate must be relatively stable for a certain time. After the enterprise property system gradually changes over to self-management and economic self-sufficiency, i.e. when the state changes the method of collecting funds from the enterprises from the current two channels of profit payments and taxes to the single channel of taxes, the funds by which the state supports enterprise unearthing of latent potential, remodeling and transformation should come to an even greater extent from bank loans, so as to encourage the enterprises to make careful calculations, to manage and utilize funds effectively by economic methods and to bring greater economic effectiveness into play.

Currently, in addition to supporting enterprise modernization and transformation by allocations and loan funds, the state has also specified that large and middle-sized industrial enterprises must pay some of their depreciation funds to the financial authorities, who collect them and then return them to the enterprises for unearthing latent potential, remodeling and transformation. The enterprises feel that the amount of depreciation funds paid to the higher levels is very large and that the allocations are insufficient, which has artifically created many conflicts. This situation should be changed. We believe that the depreciation funds drawn by an enterprise (including modernization and transformation funds drawn by the excavating and timber industries on the basis of output) should in principle be totally retained under enterprise control, and should first be used to modernize and transform existing fixed assets, to bring the depreciation funds' function as compensation of fixed assets into play, to assure that enterprise fixed assets are constantly in excellent condition and that reproduction is continuously carried out, and to prevent modernization arrears resulting from transfer of depreciation funds. If all of the depreciation funds are retained by the enterprises, some enterprises, such as newly-founded ones, will get excessive depreciation funds and will not spend them all, so that there will be a certain surplus; some enterprises which were set up and put into production relatively early and which during a certain period paid all their depreciation funds to the higher levels, will accordingly have a small surplus and a large need, so that the funds will be insufficient. The work of adjusting these surpluses and shortages can be done primarily by the industrial corporations by the method of borrowing and repayment to their enterprises. At the same time, the role of banks should be brought more fully into play, so that they can make adjustments. The depreciation funds which enterprises are not using at the moment can be deposited in the banks, the banks can use these funds to issue loans to enterprises with insufficient depreciation funds, and these loans can be repaid by the enterprises from depreciation funds which they draw later or from retained portions of profits. In this way each enterprise's depreciation funds become its property and there is no uncompensated redistribution, which is not only in accord with the principle of respecting the enterprises' autonomy but also makes it possible to adjust these funds between enterprises for their use. This is much better than the method of having the state financial authorities collect the funds and then redistribute them, favors the enterprises' strengthening of their accounting and carrying out effective modernization and transformations, and is also beneficial to good and flexible use of these funds on a national scale.

The Relationship Between Successful Modernization and Transformation and Increased Depreciation Rates.

At present the fixed assets of some older enterprises in this country are outmoded and backward, and urgently require modernization and transformation. The reasons that they are behind in modernization are many. One is that before 1967 all of the enterprise depreciation funds were paid to the financial authorities, and at the time the modernization and transformation funds which were paid out to the enterprises were very small, so that the fixed assets were not modernized or transformed in timely fashion, and the necessary funds were not accumulated for use when it was time to modernize. This is an old historical debt. The second reason is that after 1967 the depreciation funds

were gradually released to the enterprises for their use, but a certain proportion of the funds was also transferred for new construction or expansion items. In accordance with Marx's principle that depreciation funds are both compensation funds and accumulation funds, it is permissible to use a part of the "precipitated" depreciation funds for some expended reproduction. However, the depreciation funds must first be used to guarantee the modernization of older fixed assets and technical transformation, and after simple reproduction is assured they can be used for expanded reproduction. Accordingly, there are specific conditions and limits for the use of depreciation funds for new construction, expansion construction and large-scale technical transformation. If depreciation funds are used in excess for expanded reproduction over a long period, this will be detrimental to modernization and transformation of existing fixed assets. This is a new debt formed in recent years. A third reason is that certain enterprises' depreciation rates are too low. The country's current depreciation rates were basically set in 1951 during the nationwide stocktaking, and at the time they were by and large suitable. After 30 years of construction, our country's scientific and technical level and level of production forces have made relatively great advances. For some enterprises, the initial fixed assets replacement period has turned out to be too long, and is not helpful in stimulating scientific and technical progress. All of these reasons are stated in terms of funds, but the basic reason why certain enterprises have not done effective modernization and transformation is mainly that they lack a clear technical policy, unified leadership and comprehensive planning, they lack realistic and effective measures and strict management. Overall, currently unearthing of latent potential, remodeling and transformation are basically still in a state of draft and of "every man for himself," the funds are dispersed, management is chaotic and waste is serious. If we do not fundamentally solve these problems, even if we increased enterprise depreciation rates we still would not be able to solve the problem of modernizing existing enterprise process equipment. Accordingly, we believe that in order to do the work of unearthing latent potential in existing enterprises and remodeling and transforming them, we must strengthen leadership, join together all parties in close cooperation and promote a gradual orientation of existing enterprise toward modernization in a planned and systematic fashion. Our specific ideas are:

1. The state must have a completely clear technical policy which is suited to this country's conditions, and must implement all of its economic measures. All industries must draw up thorough long-term and annual plans for transforming existing enterprises on the basis of the requirements of the state's unified plan and technical policy, must fix the guidelines, policy and specific objectives for unearthing latent potential, remodeling and transformation, and must propose concrete implementation programs and gradually carry them out.

2. The plans for unearthing latent potential, remodeling and transformation must become the main component of the state economic plan. All items regarding unearthing of latent potential, remodeling and transformation must be included in the plan and balanced in unified fashion. All materials, equipment and construction forces must be given priority in dispositions, according to the principles of "production first, basic construction later," and "unearthing of potential first, new construction later," and their availability assured.

3. Economic committees and financial departments at all levels must make a major effort to strengthen their leadership and management of the work of unearthing latent potential, remodeling and transformation. They must do overall planning for disposition of projects for unearthing of latent potential, remodeling and transformation by all industries and enterprise units, must make determinations regarding materials, equipment and funds, and effectively carry out comprehensive balancing, eliminate waste and increase economic effectiveness. The China People's Construction Bank must both oversee basic construction allocations and oversee and manage the various funds for unearthing latent potential, remodeling and transformation on the basis of plans approved by the relevant departments. The work of holding and lending enterprise depreciation funds and adjusting surpluses and shortages is all to be managed in unified fashion by the construction bank.

4. Specific analysis of fixed assets modernization arrears must be made. In cases where in the past, enterprise depreciation funds were paid to higher-level financial organs or transferred for new construction, expansion construction engineering, and what was really expanded reproduction squeezed out simple reproduction, while capital construction squeezed out modernization and transformation, a special fund should be arranged every year from basic construction investment and the amounts gradually repaid. In cases of arrearages in certain enterprises resulting from depreciation rates that were too low, the depreciation rate should be suitably raised in order to assure that the enterprise fixed assets can be modernized and transformed in timely fashion. Hereafter financial and leading departments at all levels may no longer collect enterprise depreciation funds to use for basic construction or other expenditures.

5. Determination of the depreciation rates for fixed assets should be based on our country's real circumstances, and our country's scientific and technical level, economic conditions and financial and material capabilities should be fully taken into account so as to determine them in a realistic way. In the future, as the scientific and technical level and the level of the productive forces are raised, the fixed assets depreciation rate should be gradually increased in a planned fashion. We must realistically change the current method in which one enterprise has only oen depreciation rate, and should determine category depreciation rates and individual depreciation rates for various types of fixed assets on the basis of the different structures and capabilities of the fixed assets in question, so as to correctly calculate the depreciation periods for various types of fixed assets and to strengthen accounting and management of fixed assets.

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FINANCE AND BANKING

DANGERS OF PRC FOREIGN EXCHANGE CERTIFICATE SYSTEM NOTED

HK280550 Hong Kong SOUTH CHINA MORNING POST in English 28 Oct 80 p 6

[Article by staff correspondent]

[Text] A new "monetary system" introduced in China since April is creating a lot of problems and causing resentment among the people.

There are so may loopholes and the system has been so widely abused that, unless urgent steps are taken to remedy them, a crisis most damaging to the country's economy may well develop.

However, the authorities appear determined to persist with the idea--even after questions were raised at the National People's Congress and the Chinese People's Political Consultative Conference.

The controversy revolves round the issue of what is known as "foreign exchange certificates" in identical denominations as renminbi and equivalent in value to those of RMB.

These certificates are issued in exchange for foreign currencies taken into China. They are legal tender at all hotels, restaurants and friendship stores that cater to foreign visitors and, for all practical purposes, they are another kind of banknote in China.

But these certificates have an added aura. For only with these certificates can one purchase foreign products in the country. The indigenous RMB, by contrast, appears to be a poor cousin as it is not honored at any of the hotels and friendship stores.

This produces the effect of two currencies in simultaneous circulation in the country, the superior one being in the hands of visitors and the inferior one in the possession of local people.

Nowhere is this divergence more noticeable than in the big cities of Beijing, Shanghai and Guangzhou where these foreign exchange certificates are widely circulated and they become much sought after by the local populace.

In Guangzhou, these certificates are so prevalent that they practically replace RMB in many places and are used even on buses and taxis.

The immediate result is the emergence of two different classes of people: those in possession of foreign exchange certificates and the less fortunate ones who do not have access to these treasured notes.

This phenomenon was vividly illustrated in a trivial incident in Shanghai recently.

Early one morning, I bought two copies of JIEFANG RIBAO and WEN HUI BAO for eight fen at a newspaper stall in Huaihai Road. Having only foreign exchange certificates, I gave a 50-fen note to a man whom I believed to be the stall holder.

He was not the vendor but on seeing the note, he seized it, examined it, muttered: "Ah, new money," and, turning to the woman vendor next to him, asked her to give me 42 fen in RMB, promising to give her 50 fen, undoubtedly in RMB, later.

Obviously, the man was hoarding the "new money" until such time that he had enough to buy a foreign product of his choice--a packet of foreign cigarettes, perhaps.

A recent traveller told of an offer in Guangzhou to exchange 20 yuan in foreign exchange certificates for 20 yuan RMB, plus a catty of laichee.

There has also been abuse of the certificates.

At places other than the designated hotels, shops and restaurants, a visitor invariably receives change in RMB which cannot be used in establishments that cater to visitors.

Such RMB notes are almost worthless to the visitor in China as he cannot use them nor can he take them out of the country.

The controversial foreign exchange certificates were born out of another controversy.

When China opened its door to foreign visitors a few years ago, foreign currencies were freely circulated in the major cities so much so that foreign products could be bought only with foreign currencies such as the Hong Kong or U.S. dollar.

For a while, foreign currencies were legal tender in the streets of such cities as Guangzhou and Shanghai.

To remedy this situation, and to ensure that foreign banknotes did not circulate in the country, the state devised the certificate system and decreed that only foreign exchange certificates could be used for the purchase of services or products in places catering to visitors.

These notes are available in 10 fen, 50 fen, one yuan, five yuan, 10 yuan and 50 yuan. And though different in color from the RMB notes of the same denominations, they are, as the certificates stipulate, equivalent in value to the RMB.

The certificates, issued by the Bank of China, also stipulate that they "can only be used within China at designated places. No request to register its loss will be accepted by the bank."

Although the demerits of the certificates are apparent to most people, the authorities, however, remain unmoved over pleas that they be withdrawn, pleas eloquently put forward by many delegates to the recent sessions of the NPC and CPPCC.

Indeed, there are talks of the government issuing certificates of 500 yuan.

Apart from the arguments advanced by these delegates, there lies an even greater danger to the country's monetary system. Unlike RMB, these foreign exchange certificates can be freely taken in and out of the country--thus giving unscrupulous people an excellent opportunity to forge them.

And because the customs at the border posts do not ask any questions about these notes, one could literally take into China thousands of yuan in foreign exchange certificates without his having to register them as one would with any other foreign currency.

Indeed, there have been rumors, though unconfirmed, that some forged notes have been found in Guangzhou.

Because these notes are much sought after and because they are not as widely circulated as RMB, few people can tell whether a note is a forgery.

And even if one does realize he has come into possession of a forged note, he would hardly broadcast the fact but would try to pass it off to others.

Meanwhile, the new banknotes are being sought by a small group of far-sighted collectors, who believe that the authorities will one day declare these certificates invalid and they would thus become collectors' items and fetch high prices much as the old nationalist banknotes of the 1940's do today.

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FINANCE AND BANKING

BANK OF CHINA, GUANGDONG DELEGATES DISCUSS FOREIGN EXCHANGE CERTIFICATES

Guangzhou NANFANG RIBAO in Chinese 19 Sep 80 p 1

[Article: "Questions On Foreign Exchange Certificates Addressed To Concerned Departments"]

[Text] At the Branch Forum of the Guangdong (People's Congress) Delegation, the delegates addressed questions on foreign exchange certificates to concerned departments.

To begin with, Deputy Director of the People's Bank of China, Bu Ming, spoke on the subject of the questions and ideas put forth during the past few days by the delegates with regard to foreign exchange certificates. Why are foreign exchange certificates being issued in the country? Do foreign exchange certificates constitute a kind of currency? Is their issuance a manifestation of inflation?

He provided explanations of the problems arising after the issuance of foreign exchange certificates and methods for improvements, among other topics.

Subsequently, seven delegates spoke. They were: Wu Kangmin, Wu Juetian, Fei Yimin, Wang Kuangcheng, He Xian, Xu Lihua and Liu Tianfu. Everyone felt that Deputy Bank Director Bu Ming's explanations were brief and to the point as he stated the aims and functions of the state's issuance of foreign exchange certificates and expressed understanding of the initial plans which have been made for countering any problems which might arise. At the same time they brought out several different ideas. Emphasizing the new conditions and new problems manifested subsequent to the use in Guangdong of the foreign exchange certificates, the delegates performed elaboration and analysis, to wit: first, it is impossible to simply add in a little foreign exchange income on their accounts; more important is the fact that it is necessary to foresee the unsatisfactory influence this will bring upon governments both inside and outside the country. Second it is impossible to assert that foreign exchange certificates are not a form of currency and it should be acknowledged that in reality they have become a high-grade currency which in its circulation has already influenced the reputation of Renminbi. The delegate who spoke stated that a high degree of watchfulness must be directed toward the problems which have already surfaced and they must be treated seriously. Measures adopted for their resolution must fit in with the special conditions in Guangdong where there are many overseas Chinese and countless relationships with those abroad, all of which requires careful consideration.

Delegate Fei Yimin asked if, in order to prevent smuggling, arbitrage and counterfeiting, it was possible to control the use of foreign exchange certificates by relying on identification cards and passports carried by residents of Hong Kong and Macao, along with similar procedures involving foreign traveler's checks; delegate Wang Kuancheng expressed his agreement with this.

Delegate He Xian stated that he felt that the subject should be discussed comprehensively, that they should not treat the symptoms at the expense of the disease.

Delegate Xu Lihua stated that by using the method of converting the foreign exchange certificates into coupons (such as cloth ration coupons) the result might be quite a bit better than the present issuance procedures, although it would still be hard to stop the corrupt practices of price gouging in buying and selling, and black-market trading. Is it appropriate to require foreigners to use coupons to make purchases when they come to China? And so on. Everyone expressed tremendous concern over the measures to be adopted for these improvements.

Finally, Liu Tianfu said that with regard to the problems which have arisen in the issuance and use of the foreign exchange certificates, in addition to seeking resolution in the areas of the state's foreign exchange and control of banking, with regard to the factors of commodities prices, supply of goods, and overseas Chinese policies, the scope of involvement is very large, the effects of the policies are strong, and the situation is fairly complicated. He made suggestions on two points: one was to ask the State Council's Main Bureau on Commodity Pricing to conduct expanded examination and study of the new circumstances and new problems which have arisen with respect to foreign exchange economic activities, and resolve these step by step. The second was to set forth from the real situation in Guangdong to study methods to improve the control of foreign exchange. With regard to the problem of the use of foreign exchange certificates, they should perform a concrete analysis as well as intensify the control over foreign exchange, so as to effect a ban on illegal behavior such as arbitrage, smuggling and reselling at a profit. Moreover they should improve supply and services work for goods bought through tourism and overseas Chinese remittances to accommodate tourists from abroad. He recommended that, following their conference, concerned departments such as the Bank of China, the People's Bank, Commodities Pricing Main Bureau, Ministry of Foreign Trades and Customs should be asked to organize a combined fact-finding team to go to Guangdong to gain a thorough understanding on-the-spot and moreover invite citizens' delegations from Hong Kong and Macao to participate in joint research in order to find a viable means for improvement.

Comrade Bu Ming expressed his acceptance of the ideas and recommendations of the delegates, stating that he would carry them back and refer them to concerned ministries, commissions and offices, for further research and discussion. He said he hoped that the delegates would increase their inspection and oversight of foreign exchange control work, and hoped that the people's government of Guangdong Province and concerned circles would increase their support and assistance. (This originally appeared in RENMIN RIBAO, 19 Sep).

9420
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SHANGHAI CHEMICAL INDUSTRY HAS FAST CAPITAL TURNOVER RATE

Shanghai JIEFANG RIBAO in Chinese in Jul 80 p 1

[Report by Zhou Yongkang [0719 3057 1660]: "Chemical Industry Bureau Has Nation's Capital Quickest Turnover"]

[Text] After more than a year of effort, the Shanghai Municipal Chemical Industry Bureau has found buyers for more than 20,000 tons of unsold products. The sale price was more than 100 million yuan. For the first 6 months of this year, production for this bureau has been up more than 7 percent over the same period last year, profits have been up over 10 percent, and circulating capital has decreased by 10 million yuan, destroying the old belief that for every 1-percent increase in industrial production, an increase of 0.06 percent in circulating capital was needed.

Turnover rate in days is the main standard for measuring the use of circulating capital. For the first 6 months of this year, the turnover rate of circulating capital for the Shanghai Chemical Industry Bureau was 28.5 days, down from 38.5 days in 1976 and equaling the 1965 rate, which was the lowest ever. The turnover rate for circulating capital in the Shanghai industrial and commercial departments were the fastest of all such departments in the entire nation, and the Shanghai Chemical Industry Bureau is the only one of Shanghai's industrial bureaus to reach the historic high levels.

According to the estimates of related departments, every day the circulating capital turnover rate can be shortened, the Shanghai municipal industrial and communications departments can deliver more than 100 million yuan of capital to the state. If all of the industrial bureaus of Shanghai could reach the highest turnover rate ever attained, as the Chemical Industry Bureau has done, the capital that Shanghai would turn over to the state would be equal to the expenditure for five Nanjing bridges over the Changjiang.

The most fundamental of the methods used by the Shanghai Chemical Industry Bureau to speed up its circulating capital turnover rate were to change the old management style of "sitting facing the south," overcome the longtime defect of emphasizing only production and not emphasizing turnover, and speed up the work of product sales. For example, they beefed up their product sales organs, added appropriate numbers of sales personnel, organized industrial and commercial joint sales units, and directed concerned provinces and municipalities to carry out sales. They strengthened technical services operations so as to let the customer understand the special properties of the products. They used every means to ensure customer satisfaction,

thus opening up new sales opportunities, and they unearthed large amounts of construction capital from the circulating loop. Recently the Chemical Industry Bureau summarized its sales operations and came up with 30 experiences.

A lack of finance and capital is a prominent problem in China's four modernizations. We understand that two thirds of an industry's circulating capital is used in the circulating loop, and one third is used in production. However, at present there are large amounts of products piling up in warehouses, representing large amounts of circulating capital. The circulating capital turnover rate in industry and commerce in the country is much slower than before the 10 years of chaos. Therefore, a good job of management and control in the realm of circulation will bring back to life a large amount of tied-up capital and let it circulate at a faster rate. This will have a major significance in reducing the nation's financial expenditures and in increasing capital for construction and production.

According to data that this reporter has had contact with, for every 100 yuan of industrial production for the entire nation, circulating capital represents 20.42 yuan, but for Shanghai this figure is 7.47 yuan--only about 36 percent of the national average. This means that the Shanghai Chemical Industry Bureau uses two-thirds less circulating capital than its counterparts in other provinces--about 700 million yuan. According to a responsible person on the State Planning Commission, if all state-operated industrial and commercial enterprises were able to reachieve the best turnover rate in history, as the Shanghai Chemical Industry Bureau has done, then they could return one-sixth of their circulating capital to the state, amounting to several tens of billions of yuan to be used for construction of the four modernizations. This is a very impressive figure.

9559
CSO: 4006

BRIEFS

SHANGHAI SELLS APARTMENTS--Shanghai, Oct 29 (AFP)--A Shanghai construction company will soon start selling apartments here for those able to pay only in hard currency or foreign currency, reliable sources said today. The patriotic construction company handling the project operates under the auspices of the recently-formed Federation of Commerce and Industry in the eastern Chinese metropolis. The federation which functions more or less as a chamber of commerce is run by former capitalists. The patriotic construction company has the status of a "people's organization" and is financing the project with funds from the municipal budget and from overseas Chinese. Those acquiring the apartments will be mainly overseas Chinese for their personal use or for that of their relatives living in Shanghai. Shanghai which is now joining Guangzhou, Beijing, Nanjing and Fuzhou in providing such facilities, was the bastion of capitalism in China before the communists came to power in 1949. There has been an increase in the sale of apartments and buildings in this 12-million strong city and other urban areas in China which have a serious overpopulation problem. However under Chinese law those buying the apartments will have no claim to the land on which they are constructed. [Text] [OW290835 Hong Kong AFP in English 0825 GMT 29 Oct 80]

CSO: 4020

ENERGY

CHINA'S ENERGY NEEDS IN YEAR 2000

Beijing XIANDAIHUA [MODERNIZATION] in Chinese No 9, Sep 80 pp 1, 9

Charts by Zhou Xiuzhang [0719 4423 3864] of the Institute of Scientific and Technical Information of China]

[Article by Gong Guangyu [6300 0342 4416]

[Text] How much energy will our country need in the year 2000? This is a matter of interest to everyone. Modernization depends to a large extent first on scientific development of energy resources, full supply of energy, and the rational utilization of these resources. As we proceed on a new long march we must provide for rainy days. We must have a pretty good idea of our energy resources and must carefully balance the ledger. Furthermore, we must take this as the basis to formulate energy policies and plans in accordance with the actual situation of our country and develop a complete energy industry system.

Per capita energy consumption is a major index for measuring the economic development of a nation and region.

Total world energy consumption for 1977 amounted to 9.4 billion tons of standard fuel.* Of this amount, U.S. consumption constituted 2.8 billion tons; the Soviet Union consumed 1.7 billion tons. West Germany consumed 0.63 billion tons; Japan, 0.47 billion tons. Our country consumed 0.5 billion tons. However, the per capita energy consumption for the U.S. was 12.8 tons. For the Soviet Union, per capita consumption was 6.6 tons. West Germany consumed 6.3 tons per capita; Japan, 4.7 tons. World per capita consumption was 2.5 tons. Our country's per capita energy consumption was only 0.6 tons, only 1/20 of the mount for the U.S. So, what about our country's future situation? The long-term forecasting of our country's energy requirements is an extremely complicated problem. This is because it depends on various factors such as the national economic structure, the pace of population and national economic growth, the structure of energy production and consumption costs, the amount of energy imported and exported, price policies of energy resources, technological facilities, production technology and management levels, and the people's standard of living.

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* Each kilogram of calorific capacity constitutes 7000 kilo-calories of coal, called standard coal; also called standard fuel.

Per capita energy consumption is an overall index of the level of national economic development. The first method of calculation of the amount of energy consumption is that, based on each country's statistics in a modern society, consumption per person per year must reach 1.6 tons of standard fuel before the people's needs for food, clothing, shelter, transportation, and other requirements can be fundamentally satisfied (figure 1). [Not reproduced] If by the year 2000, our country's per capita consumption rate does not reach this norm, then it is very difficult to imagine that the entire national economic construction will reach the lowest standard of modernization. By the year 2000, our country will have a population of 1.21 billion. Our lowest requirement for energy will be 1.936 billion tons of standard fuel.

The second method of calculation is based on the proportion between the amount of the annual average energy consumption per person in each country of the world and the gross national product of the economy, so that when per capita gross national product reaches $1000, the annual energy consumption rate per person will be 2.2 tons of standard fuel. So, by the year 2000, our country's minimum requirement will be 2.662 billion tons of standard fuel.

The third method of calculation is to make a forecast according to the elasticity value of energy consumption. The elasticity value is simply the ratio of the average annual growth rate of energy consumption with the average annual growth rate of the gross national product. This method is fairly suitable for forecasting the amount of long-term energy requirements. At present, it is employed everywhere abroad to generally forecast the amount of long-term energy requirements. If one knows the pace of growth for the national economy, it is not difficult to calculate the annual growth rate for energy consumption. If energy imports, exports, and stockpiles are considered, the entire amount of energy requirements can be appraised.

Although each country's economic structure is different, this elasticity value follows a common pattern. When each nation is in the initial stages of industrialization or when the national economy develops at a very swift pace, due to coal being the main source of energy consumption, industry rises proportionately, and the pace of the annual average growth in the amount of energy consumption more than doubles the pace of the average growth of gross national product. Thus, the elasticity value of energy consumption likewise is greater than 1, even exceeding 2. In the wake of industrial development and the increase in technological competence, there were particularly major changes which occurred in the energy consumption structure. There was a transition from coal to petroleum and natural gas as the main sources of energy consumption. Heat efficiency of fuel utilization continuously improved, the population growth rate decreased, and there was a change in the national economic structure. Thus, this value universally dropped, for the most part, to less than 1. During our country's first five-year plan (1953-1957), the energy consumption elasticity value was 1.38. The third five-year plan (1966-1970) and the fourth five-year plan (1971-1975) had somewhat of a drop; however, it was still greater than 1. During the period between 1953 to 1978, our country's energy consumption elasticity value was 1.22.

Referring to more than 30 years of practice, to aim for 1.2 as our country's energy consumption value during the period 1980-1990 is completely reasonable and well grounded. Considering the energy utilization rate and structure in the years ahead,

management and administration, improvements and rise in technology and equipment standards, it is fully possible for the energy consumption elasticity value for the period between 1991-2000 to reach the level of those nations now whose industry is flourishing, namely 0.85. In this manner, we can forecast the amount of our country's energy requirements under different paces of economic development.

If between 1981-2000, the gross output value of industry and agriculture increases at an annual average rate of 6%, then by the year 2000 our country's energy requirements will be 1.86 billion tons of standard fuel. Each person will average 1.55 tons of standard fuel, just enough to satisfy the lowest energy standards of a modern society for food, clothing, shelter, transportation, and other needs. If between 1981 and 2000, the gross output of industry and agriculture increases at an average annual rate of 8 percent, then in the year 2000, our country's energy requirements will be 2.75 billion tons of standard fuel. Per capita energy consumption will be approximately 2.3 tons of standard fuel, which is slightly more than the energy requirement amount of $1000, constituting the per capita gross national product. If during the years 1981-2000, the rate of annual average growth of the gross output of industry and agriculture is lower than 6%, then in the year 2000, the per capita amount of energy consumption will not reach the lowest norm for satisfying the needs of food, clothing, shelter, and transportation in a modern society. The entire national construction will then not achieve the essential standard of the four modernizations.

From this it can be seen that in the year 2000, when our country will realize the four modernizations, population must be held to below 1.2 billion, and we must supply 2.75 billion tons of standard fuel. Only in this way can our country reach a per capita gross national product of $1000 (figure 2). [Not reproduced]

9660
CSO: 4006

MINERAL RESOURCES

YUNNAN GEOLOGIST FAN CHENGJUN'S CONTRIBUTION TO ORE PROSPECTING REPORTED

Beijing RENMIN RIBAO in Chinese 21 Jul 80, p 1

[Article by Zhang Bingsen [1728 3521 2773] and Wang Zhengduan [3769 2973 4551] of RENMIN RIBAO: "'Yunnan's Geological Expert' Fan Chengjun"]

[Text] Well renown as "Yunnan's Geological Expert," Mr Fan Chengjun [5400 2110 0971], who is also a veteran engineer, has spent more than three decades of his life traversing the mountainous Yunnan Plateau. Fearless of hardships or obstructions, he travels across mountains and rivers each year, exploring one mineral deposit after another, and solving one difficult problem after another, thus making important contrivutions to our motherland. This spring, he was awarded as a nationwide model geological worker, and enrolled in the Chinese Communist Party. For a long time, he has been in charge of the technical operations of Yunnan Province's Regional Geological Survey Team, which is the only team of its kind throughout the whole country that has been awarded with the glorious title of Meritorious Team by the Ministry of Geology.

Fan Chengjun is currently deputy director of the Yunnan Research Institute of Geological Science. This year, based on the information provided in the plans for prospective mineral regions which had been formulated under the supervision of Mr Fan, the Provincial Geological Bureau assigned seven geological teams to the Lancang River area where they began a general survey along the river banks in quest for a great variety of metallic minerals. In no time, the prospectors found ore points or evidences of such valuable metals as Tungsten and tin; some teams have already come up with the reserves of certain mineral deposits. Many geological workers appreciate the thorough and detailed information provided by the preceding plans which not only embody great scientific farsightedness, but also accuracy in pinpointing promising sites. Moreover, Fan Chengjun's outstanding contribution to the formulation of the pl[illegible]on the unanimous acclamation among the geological workers.

Since he graduat[illegible]om Yunnan University's Department of Mineralogy and Metallurgy in 1944, Fan Chengjun has settled down to geological technical work in Yunnan Province. Way back in 1958, he became an engineer and assumed total charge of all the technical projects in Yunnan's Regional Geological Survey Team.

Although he is the top responsible person in the technical field, Fan Chengjun has never allowed himself to rest content with such indoor work as reading charts and maps, drawing up plans, or organizing and compiling reports. Instead, he prefers to spend most of his time outdoors doing field work, such as investigating and

and studying ore points, and solving all sorts of tough problems encountered in field work. Once with a backpack weighing over 10 kilograms, Fan Chengjun went on a long excursion with a group of geologists. They set out from Dali's Cang Mountain, cut through Wuliang Mountain, climbed over the steep peaks and ridges of the Hengduan Mountain Range, and penetrated right into Mangshi in the Dehong Autonomous Prefecture of Dai and Jingpo Nationalities, covering more than one thousand kilometers on foot in over a month's time in search of reliable data which would help determine the geological age of this region.

Last year, Fan Chengjun undertook the task of formulating the entire province's plans for prospective mineral regions. Piecing together sorting data from the past, he conducted five successive field investigations to verify the data, spending over a month for each trip. There is literally no place where he has not set foot on--in the highest mountains, the deepest gorges, the hottest flatland, or the coldest snow mountains of the entire province.

Based on many years of extensive, painstaking and meticulous regional geological survey work, Fan Chengjun and his geological workers have come up with laws of mineralization which are quite instructive and provide bases for mineral prospecting and solving certain basic problems in Yunnan's geological work. Based on investigation of 20-30 mineral resource sites, the geological workers have discovered 18 large mineral deposits and 4 medium ones. Currently verified mineral deposits include Dianzhong's copper, Lanping's tremendous reserves of lead and zinc, and Yuanmo's platinum. There are also some mineral deposits which have been found in general surveys but still require further exploration, such as tin, iron, copper, etc. Remarkable results have also been achieved by Yunnan's Regional Geological Survey Team which had been under Fan Chengjun's supervision in technical operations for a long period of time. In the span of more than 20 years, a total of almost 200 prospective mineralization zones have been discovered in the course of general surveys, and some 200 general survey reports on mineral resources have been submitted. Fan Chengjun knows Yunnan's minerals like the palm of his hand, and all his colleagues agree that he is indeed "Yunnan's Geological Expert."

9119
CSO: 4006

INDUSTRY

CHONGQING WAR INDUSTRY PRODUCES CIVILIAN GOODS, HELPS LOCAL INDUSTRIES

Beijing RENMIN RIBAO in Chinese 25 Aug 80 p 3

[Article: "Chongqing's War Industry Uses Its Superior Technology and Installation to Produce Civilian Goods and Help Light/Textile Industries"]

[Text] Departing from the aim to help regulate the overall national economy, Chongqing's war industrial enterprises are using their superior technology and equipment to produce civilian goods and help boost the local light industries. Up to now, they have already produced 162 different kinds of civilian goods, and helped the local light/textile industries to complete 60-odd technical innovation projects. Through preliminary efforts, remarkable changes have taken place in the outlook of Chongqing's war industrial enterprises. Last year alone, the profits amounted to over 42 million yuan RMB, and over 90 percent of the city's war industrial enterprises have reversed the long-standing deficit situation.

In compliance with the supply and demand situation of domestic and foreign markets, and based on its own technological characteristics and the availability of its own technical force, working clothes, equipment, factory buildings, etc., Chongqing's Jialing Machinery Plant decided to manufacture light motorcycles. Through four months of investigation, surveying and drawing, designing and trial manufacturing, and with the coordinative assistance of related organizations, the plant produced its first successful "Jialing brand" XM-50 prototype motorcycle on September 5. Performance tests indicate that as far as maximum speed, gas mileage, sparkplug temperature, exhaust pipe temperature are concerned, the product has reached the advanced level in some aspects, and is very close to the advanced level in other aspects. The first batch of products was well received by users. Now the products are produced in large quantities, thus putting an end to the previous "short of demand" status.

The war industrial enterprises are also using their superior technology and equipment to help light and textile industries with their technical innovations. Since last year, they have been contacting Chongqing's bureaus and corporations of light and textile industries, as well as their subordinating plants and mining enterprises to exchange information and discuss about technical installations. Through such activities, both sides became acquainted with each other's situation, thus enhancing the relationship between the war industrial enterprises and the light/textile industrial enterprises. So far, they have already helped the Chongqing Shanhu Electric Appliances Plant to produce three kinds of large-size molds which have complicated

structures and weigh several tons. To help Chongqing Furniture Factory No 2 to complete its newly installed shaving board production oine, they accepted the task of manufacturing heating plates which require sophisticated technology. In order to rapidly expand their contractors' production capacity for making special equipment, such as vulcanizers for the Chongqing Tire Recapping Plant, filter tip machines for the Chongqing Cigarette Plant, leather scalders and stretchers for the Chongqing Leather Plant, etc., they have offered to send their own technicians to help the contractors with the designing, manufacturing, installation and operation of the equipment. Such efforts have not only greatly promoted the growth of local industries, but also compelled the war industries to improve their own technical and management level.

9119
CSO: 4006

INDUSTRY

GUANGDONG ACCELERATES DEVELOPMENT OF LIGHT INDUSTRY

Guangzhou NANFANG RIBAO in Chinese 10 Sep 80 p 1

[Article: "Rapid Development of Light Industry in Guangdong Province; Production Increased 17.2 Percent in the First 8 Months"]

[Text] Since the beginning of this year, the development of light industry in this province has been very rapid. Total production for the first 8 months of this year was 9,034,000,000 yuan, an increase of 17.2 percent compared with the same period last year, surpassing the levels of 11.2 percent for all industrial growth throughout the province and 2.8 percent for heavy industry. The state of industry all over the province, and especially the trend which persisted for many years whereby the growth rate of light industry was lower than that of heavy industry, has been altered.

Light industry has a long history in this province, and its products have established a good reputation in the market here as well as abroad. It occupies an important position in the national economy of the province. In order to fully develop this strongpoint, since last August, and especially since the beginning of this year, party committees at every level in our province have shifted the emphasis to development of light industry by mobilizing various departments to assist light industry in solving various practical problems, including the supply of raw materials, fuel, power, capital, transportation, and links between production and distribution on the one hand, while encouraging direct contacts between producers and consumers on the other hand, in order to promote production and carry out the revitalization of production. There has been an 80-percent increase this year in the funds allocated to light industry by the provincial government this year that have been earmarked for technical assistance as well as foreign exchange for the import of raw materials. The electric energy supply has satisfied the basic needs of industry, so that the great majority of light industry was fed well and operated at full capacity. Conditions favorable to rapid development have been created. Local and municipal governments, together with departments in charge of industry, have conscientiously reorganized the product structure and some of the production goals. They have actively served to promote development of light industry and helped to expand its production capacity.

As a result of accelerated development of light industry, the industrial standard of the entire province has been raised. During the first 8 months of this year, light industry for the entire province increased production by 1.3 billion yuan over the

same period last year, surpassing the total increase in industrial production for the entire province as called for by the Provincial Party Committee this year. It has raised the provincial industrial growth rate from the 3.4 percent achieved during the same period last year to 11.2 percent this year. During the first 7 months of this year, the profit realized from 100 yuan of production by nationally operated industries in the province increased 8.9 percent over the same period last year, realizing a total profit of 730 million yuan and a warehouse profit of 550 million yuan. This represented an increase of 15.4 percent and 18.1 percent, respectively, over the same period last year. More than 80 percent of the increase in industrial warehouse profits throughout the province is due to light and textile industries. As a result of a significant increase in the products of light industry, including textiles, foodstuffs, household electric appliances, and a large quantity of daily industrial products, the contradiction between supply and demand that existed for a long period of time due to shortages of goods is gradually being relaxed now. A number of living necessities are in abundant supply. A certain provincial light industry system turned out products valued at some 560 million yuan in the first 7 months of this year alone, surpassing production during the same period last year by 21.3 percent.

9113
CSO: 4006

LIGHT INDUSTRY ENGINEER SAYS PAPER SHORTAGE CAN BE TURNED AROUND

Beijing GUANGMING RIBAO in Chinese 25 Sep 80 p 2

[Article by Dong Kegong [5516 0344 1872]: "Paper Shortage Conditions Can Be Changed"]

[Text] Recently, because of the problem of short paper supplies, this reporter visited the chief engineer of the Ministry of Light Industry's Scientific Research Institute, Comrade Yu Yiji.

Yu Yiji spoke on the aspect of our country's paper manufacturing industry development. He said that in our country from 1949 to 1978 the speed of growth of the paper industry, in view of growth speeds of paper industries worldwide and development speed of our country's overall national economy, has not been slow and was to have been sufficient to basically meet the requirements of our country's national economy development. Based on population, our country presently has an average 5 kg of paper per year per person (worldwide, the figure is on average 40 kg per year per person). However the rural population of our country is great and presently the volume of paper used by the rural areas is quite small. The great majority of paper is used in the cities. If an estimate is based on city population, approximately 30 kg of paper can be supplied per year per person. Based on the present economic situation in our country, this figure is not considered too small.

Therefore, why is it that in the cities paper remains a shortage commodity? Yu Yiji said that the key is that in our country's paper industry there are several types of paper whose production volume gets lower every day. In short supply among these are, particularly, newsprint, whose use is the broadest, comparatively good quality printing and writing paper, strong wrapping paper, and paperboard.

What are the chief causes which create shortages in these types of paper? Yu Yiji said that there are many reasons but the chief one is an insufficiency of raw materials. The principal raw material used for these types of paper is wood. At present the wood used in our country as raw material for making paper only constitutes 22 percent of the total amount of fibers used in making paper, and when imported wood pulp is added in, the total is only 26 percent. This proportion naturally fails to satisfy the increasingly developing national economy and requirements of scientific and cultural undertakings with regard to these types of paper.

In early times, there was seen the use of various types of grasses and rag fiber materials in paper manufacturing. However, having undergone development during

the past 100 years, wood has increasingly become the most important fiber material used in the paper manufacturing industry. Paper manufacture dependent mainly on wood occurs not only in countries rich in forest resources. Countries whose forest resources are comparatively few are also making an energetic transition in this direction.

That wood has gradually evolved as the chief fiber material used in the paper manufacturing industry lies not only in the reason that the volume of wood is large and concentrated, and thus satisfies the needs of the continuously-developing paper industry, but also in the fact that it meets the requirements of the characteristics needed in most paper. Additionally, because of its multipurpose utilization and rational utilization of wood resources, the use of wood for making paper is a comparatively good method which is capable of achieving fairly good economic results. Our country currently consumes 200 million cubic meters of forest resources annually of which the amount used for paper does not exceed around 2 percent. Apart from that portion of the 200 million cubic meters of wood which is lost or otherwise wasted in the forest regions, a fairly large volume is wasted in the course of processing or burned as fuel. Because of this, elimination of waste and rational utilization should provide our country's paper industry with a fairly great amount of wood material.

Internationally, there are many previous examples of the practice of not adding to the amount of wood extracted while greatly increasing the proportion of materials used for paper manufacturing. From 1913-1954, the volume of wood extraction in Finland increased only by 3 percent but in the same period the amount of paper produced from wood and wood pulp grew 7 times, while the number of trees growing into useful timber grew 20 percent. The main thing experienced by these countries was a reduction in the amounts of wood materials which were burned or used in packaging and an increase in the multipurpose usage rate of wood with a reduction in the rate of material wastage. These experiences are worthy of our reference. Yu Yiji said that wood is a renewable resource. There are still many mountains and other land sections which are suitable for forestry. All that is needed is for measures to be adopted so that a comparatively large number of bases for wood raw materials for paper can be provided. In order to increase step-by-step the proportion of wood used for paper manufacturing, Yu Yiji is emphatic in saying that the disparate situation existing between production and raw materials in our country's paper industry must be changed with all possible speed, and that the strengthening of the integration of the paper industry with the forestry industry is urgently necessary. This is very crucial to the rational multipurpose utilization of current forest resources and to building wood material bases for paper manufacturing.

Paper making was one of our country's three major discoveries in ancient times. It has a long history of over 2,000 years in our country but it has only been in the past 100 years that we have fallen behind when compared with countries in the world whose paper industries are advanced. However, we already have a definite foundation with, moreover, a definite latent energy. We need only adopt forceful measures and resolve the several problems hindering development of our country's paper industry and we will be able to rely entirely on our own strength to satisfy the requirements levied by the national economy on the paper industry with regard to quantity, quality, and variety.

9420
CSO: 4006

BRIEFS

TIANJIN TV PRODUCTION--Tianjin, October 23 (XINHUA)--China's first color TV production line with an annual capacity of 150,000 sets has gone into operation in the North China Industrial City of Tianjin. It produces 14- and 22-inch sets. The production line imported from Japan was specially designed according to China's conditions. It was completed in 11 months. China now has more than 40 enterprises producing TV sets. Their total output last year was 1.3 million sets, two and half times the figure in 1978. It is expected to exceed the two million mark this year. Eight Chinese television factories have signed contracts to import color TV production equipment from Japanese companies. [Text] [Beijing XINHUA in English 0746 GMT 23 Oct 80]

CSO: 4020

CONSTRUCTION

TARDY INSTALLATION OF UTILITIES KEEPS FINISHED HOUSING FROM BEING USED

Beijing GUANGMING RIBAO in Chinese 25 Sep 80 p 2

[Article: "200,000 Square Meters Of Residential Building Completed But Not In Use; Key Link Is Utilities Installation"]

[Text] Recently the Municipal Capital Construction Committee held a conference at the Jingsong Residential District, which is under construction. They decided to accelerate installation of utilities and checks and acceptances in those buildings already completed, in striving to release for use the 200,000 square meters of residential buildings already finished. This residential district is located at Guangqu Menwai, and extends from the city moat in the east to Donghuan South Road in the west. It adjoins the Chuiyangliu residential district on the north and extends on the south to the Nanmofang Commune. It occupies 850 mu and will have an estimated 860,000 square meters of residential buildings (including 120,000 square meters of welfare facilities). Once building is completed, the entire district will hold 12,000 households, 50,000 people. Up to the present time, 420,000 square meters of buildings have been completed, and only 220,000 are ready for occupancy and the other 200,000 square meters are finished but have not been released for use; some of this construction has been completed for more than a year.

At the beginning of this conference, the responsible comrades of the capital construction committee and the responsible people of the various bureaus and corporations participating in the construction began by touring various construction sites and already-completed buildings. When they discovered that the grounds surrounding the construction were rough and ungraded, and that everywhere there were broken bricks and tile fragments, trash and dirt clods, the responsible comrades of the capital construction committee registered their criticism.

When the conversation reached the subject of the large group of apartments which are finished but which cannot be handed over as a completed project, everyone expressed the belief that it was a tremendous waste and that the best possible use should be made of time in order to resolve existing problems. According to the results of analysis, the causes for the situation described above were many. One is that the mission is a major one and the requirements are urgent, added on to which the capital investment by the municipal government was insufficient and it was impossible to install the various utilities prior to completion of construction of the buildings. This resulted in construction of the buildings without connected water and electricity and other convenience facilities; no one could reside therein.

Secondly, the activities of the various construction units were poorly coordinated for cooperation and stages were not continuous with the result that part of the already completed buildings could not undergo check and acceptance in a timely manner. Thirdly, the work of the leading bodies was not t. rough; there were several problems which they were unable to discover and resolve in a timely fashion.

At the conference it was resolved that leadership teams would be organized from among concerned leading comrades of municipal construction, governmental, and housing administration bureaus as well as from the municipal general construction office. These teams would be responsible for resolving the problems existing with regard to the construction here. At the conference it was pointed out that presently the main goal at the Jingsong Residential District is to grasp the acceptance and checking to allow release for use and that other work must be held in abeyance for this purpose. If the grasping of the winding-up of the project so it can be handed over as fully complete will influence the rate of progress of construction currently underway, the plan for completed construction for this year may be reduced. The conferees requested that the various construction units act in accordance with the spirit of serving the people, and unite as one to grasp the completion of this construction without wrangling with each other and blaming each other.

As for problems existing with regard to the quality of certain construction materials, they should set forth from the real situation, repair that which should be repaired, and exchange that which should be exchanged. Construction units will remain responsible for correcting any deficiencies discovered up to one year after checks and acceptances are concluded. After the conference the municipal government's engineering bureau and the First Residential Corporation transferred manpower to grasp well the construction of gas lines and electric utilities, and the First, Second and Fifth Building Corporations also began to dispatch workers to put the construction sites in good order.

9420
CSO: 4006

BRIEFS

TIANJIN WORKERS CONGRESS--Beijing, October 30 (XINHUA)--New housing in Tianjin, a major industrial center in North China, will be distributed under the supervision of workers' congresses to prevent leading officials from using their influence to get housing space in excess of their rightful share. According to today's "WORKERS' DAILY," the Tianjin Trade Union Council has decided that distribution of new housing in a factory will be entrusted to a committee consisting of leading cadres and workers' representatives. No one will be allowed to change the distribution plan, once it is approved by the workers' congress. Workers and staff members, irrespective of sex, enjoy equal right to housing, the decision added. The trade union council's decision has the support of the municipal party committee and the municipal government. China has made substantial headway in housing construction over the past two years. But the problem remains acute because virtually no housing projects were built in the chaotic decade, 1966-1976. Last year, China built 62 million square meters of housing projects, accounting for 10 percent of the total built in the country after 1949. It plans to build approximately the same number of housing projects in cities and industrial areas this year. [Text] [OW301307 Beijing XINHUA in English 1240 GMT 30 Oct 80]

CSO: 4020

GOALS FOR HIGHWAY MODERNIZATION CONSIDERED

Beijing GONGLU [HIGHWAYS] in Chinese No 8, 25 Jun 80 pp 6-9

[Article by Cheng Dahan [7115 6671 3352]: "Modernization of Our Country's Highways"]

[Text] Today, the whole nation as a body is sufficiently enthusiastic about the four modernizations and the whole nation is united in undertaking the new long march for the sake of construction of the four modernizations. Modernization of the highways is not only one of the components of the four modernizations but also a modernization which is the procursor of the four modernizations. First of all, we understand clearly the goals and responsibilities of modernizing our highways and the steps and methods that must be taken in order to achieve these goals. Only by so doing are we able to turn highway modernization construction into a more self-confident activity and thus contribute more to the four modernizations.

Modernization has a worldwide significance. Any nation which desires to modernize must take the world's advanced standards as its goal. A nation can join the ranks of modernized nations only if it catches up with or surpasses the new achievements created by the industrially developed nations. However, the levels of modernization among the world's more advanced nations are quite uneven. We must regard modernization as a process of social progress. There must be a stage of transition from junior grade to senior grade. Therefore it is not necessarily scientific to fix an absolute standard for modernization.

This nation is economically backward. The four modernizations, to us, are fresh events. What is modernization, anyhow? How is modernization implemented? There are some foreign models we can study and foreign experiences we can use as mirrors and warnings. Only after understanding the world, studying the world, and knowing more about the advanced levels that have been achieved elsewhere in the world can we clearly recognize and correctly understand the goals of our own effort.

The world's advanced industrial capitalist nations have all realized highway modernization today. From the circumstances of these nations we can see that the main content of highway modernization includes the following items: 1) establishment of a modernized highway network; 2) development and popularization of advanced highway science and technology; 3) mechanization of road construction and maintenance, in order to significantly increase the labor production rate and to guarantee engineering quality; 4) realization of modern management; and 5) the fundamental objectives of highway modernization, including realization of large traffic volume, high speed, low cost, safety, and comfort.

The United States, Japan, and the West European nations have spent nearly a century and a large sum of capital to build the scale of highway system they have now--namely, a highway network going in every direction, consisting of expressways and trunkline roads as the skeleton with interconnecting arteries. In 1977, the total highway mileage of the United States was 6.22 million kilometers. On average, there were 0.66 kilometers of highway for every square kilometer, 290 kilometers of highway for every 10,000 population, and every inhabited point can be reached by automobile. The total mileage of surfaced highways was 5.02 million kilometers, of which 3 million kilometers are of top-grade or next to top-grade surface. There is a network of expressways 78,300 kilometers in total length. This expressway network, which occupies only 1 percent of the total highway mileage, carries 20 percent of the total highway traffic volume. On average, there are 16,000 cars travelling 1 kilometer of an expressway every 24 hours. The average cruising speed of large buses and freight trucks on these roads reaches as high as 90 kilometers per hour. The accident rate on expressways is one-half to one-third that on ordinary roads. In the West European nations, such as England, France, West Germany, and Italy, the highway density per unit area is in general greater than that in the United States; however, their density per population is less than that of the United States. The proportion of top-grade surface roads in these countries is greater than that in the United States. For example, almost all road surfaces on British and West German highways are either pitch or concrete. The expressway networks of other European nations are also quite advanced. After shaping the skeleton of each individual nation's highway network, they gradually link up the major expressway networks of various nations, thus shaping the international traffic trunklines. The development of a highway system in Japan started later, lagging 20-30 years. However, since the 1960's, the Japanese construction rate has greatly accelerated. By 1978, there were 1,097,000 kilometers of highways in Japan, amounting to 2.91 kilometers of highway per square kilometer of land area; 95 kilometers of highway per 10,000 population; and total expressway mileage of 2,195 kilometers. Although the highway density is very high in Japan, these roads include a large portion of county roads with relatively low standards. The percentage of paved roads is only 40 percent. There are approximately 400,000 kilometers of top-grade surface roads. The degree of development of the entire highway network in Japan is still lower than the United States and the European nations. Nevertheless, Japanese highway construction has, on the whole, already entered the ranks of the modernized [highways].

Highway construction used to be a labor-intensive enterprise abroad, absorbing a large volume of the unemployed population. For example, after World War I, the majority of the labor force in the United States and the European countries was engaged in highway construction. However, since the 1950's mechanization of highway construction in some industrially developed countries developed very rapidly. Today, such nations as the United States, the European countries, and Japan have all realized overall mechanization of road construction engineering and are moving toward automation. Mechanization has also been realized in road maintenance. In 1976, West German road construction enterprises had nearly 250,000 pieces of various types of road construction machinery and some 129,000 road construction workers. On average, there were 1.93 pieces of roadbuilding machinery per worker. An annual business of as much as 11 billion marks was carried out, amounting to an average of 85,200 marks (equivalent to 67,850 yuan in Renminbi) of engineering work per worker. In 1977, French road and airport construction enterprises had as many as 100,000 workers, and an annual business of as much as 15.3 billion francs was carried out, amounting

to an average of 153,000 francs (equivalent to 58,000 yuan) of engineering work per worker. There are more than 200,000 road maintenance crews in the United States and 300,000-400,000 pieces of road maintenance machinery. The average maintenance mileage is from 6 to 60 kilometers per worker. The average annual engineering work performed per worker is valued at 17,500 U.S. dollars.

In the United States, the development of new highway technology has made the following achievements: Aerial photographic survey techniques are widely used. In recent years, remote-sensing measurement techniques using spaceborne instruments have been introduced. Their efficiency and accuracy are greater than measurements carried out with airborne instruments. Electronic computers are used extensively from the planning stage, selection of routes, and design of highway to structural analysis and computation and preparation of various diagrams and tables. New theory and new technology, together with new materials such as new composite materials for road surface, and high-strength, lightweight construction materials, are being developed every day. For traffic control, a set of automation technology has been adopted for practical application.

A modernized highway network is the fundamental requirement for advanced automobile transportation. Automobile transportation in the United States, the European countries, and Japan has come to occupy an important position in their national economy, thanks to their superior highway networks. The century-old pattern of having the railroads as the center of transportation business has been broken in these countries, and automobile transportation is now in the leading position among modes of transportation. As to passenger service, counting the amount of passenger cycle, automobile transportation occupies approximately 90 percent of all forms of transportation. As to freight service, the amount of freight cycle achieved by the automobile transportation surpasses the combined load of railway and water transportation. Automobile transportation not only has become the main means of short-distance transportation but also is competitive with railroad and water transportation for long-distance hauling. The trucks of U.S. transportation enterprises run an average distance of some 400 kilometers in interstate transportation. Some goods are transported a distance of more than 1,000 kilometers. The average overall range of truck transportation is 640 kilometers.

With regard to the modernization of our highways, the "Summary of 1978-1985 Transportation Science and Technology Development Plan" stated in part: "We predict that within 23 years, a highway network consisting of expressways and defense and economy trunkline roads as a skeleton will be constructed, using the latest scientific and technological means and equipped likewise in order to meet the demands created by the development of agriculture and industry. Mechanization of engineering work and maintenance of highways willbe realized. High-speed, large-volume transportation will be realized to help raise the labor production rate significantly, to raise the major technological and economical standards to the world level or, better yet, to surpass it." This prediction is basically correct. However, when we discussed modernization a few years ago, we started out with the general idea of modernization of a few industrially developed nations at a certain level of development and then aimed at catching up and surpassing the world's advanced level in certain technological levels and economic indices. In so doing, we neglected to take into account thoroughly our actual circumstances and concrete conditions and, as a result, suggested too high a standard in some local cases. Therefore, what ought to be the Chinese-style highway modernization? What ought to be the standard for modernization? What are the chances of success? There may be many viewpoints, and these questions need to be studied and discussed thoroughly by every side concerned.

According to my humble viewpoint, highway modernization in this country ought to start out according to need and feasibility, according to the demands created by the development of agriculture and industry, while taking into consideration the scope of highway network development and the demands on the technological level as well as on engineering quality. We should make the satisfying of the need of the four modernizations the goal of our highway modernization, and join the ranks of the world's advanced nations as judged by a certain major aspect of highway network construction.

The statistical data gathered every year over the years indicate that highway transportation in this country has maintained a pace appropriate with the growth of the national economy. In a period of 25 years from 1953 to 1978, our total agricultural and industrial production increased steadily at an annual rate of 7.1 percent. Of this amount, the industrial production growth rate increased at a rate of 10.6 percent, while the growth rates of the volume of freight transportation and the volume of freight cycle accomplished through the automobile by the highway transportation department were, respectively, 12.6 and 13.6 percent. There are no accurate statistical data available today concerning the growth rate of volume of highway traffic. According to typical investigations, the traffic volume on some trunkline highways is increasing at an annual rate of 10-13 percent. Based on this development trend, even if the highway transportation growth rate in the next 20 years did not duplicate the pattern of the past 30 years, a very high rate of growth would be maintained. We assume that by the year 2000 our average national income will reach 1,000 dollars per person, which is three to four times more than the present level. If we estimated the future of our highway transportation according to this goal, then by the end of the 20th century the volume of highway freight transportation would have grown more than fourfold over the present volume, and the average annual growth rate would be more than 8 percent. The highways of this country today are still in a state of backwardness. Highways are small in number, low in standard, and inferior in quality. In 1978, the total length of our highways was 890,000 kilometers. Top- and second-grade roads occupied only 1.5 percent; third-grade roads, 13.5 percent; fourth-grade roads, 40 percent; and lesser grade roads, 45 percent. Top-grade and next to top-grade surface roads totaled only 143,000 kilometers in length. The absolute majority of road surfaces is asphalt. In view of the great demands made by the four modernizations, the task of highway modernization in this country is very difficult.

Some of my personal viewpoints concerning some of the problems of our highway modernization will be described below.

1. Construction of trunkline highways: According to the experience of every country, highway traffic volume is concentrated mainly on trunkline highways. Various European nations and the United States have placed emphasis on construction of express highways and technological renovation of trunkline highways as the main theme of highway modernization construction. Highway modernization in this country likewise requires a high-standard of trunkline highways network as the framework of nationwide highways. With the national highway network under discussion as a foundation, I suppose that within 10 years or so we can construct that a trunkline network consisting mainly of first-, second-, and third-grade roads will be increased one step further. However, do we need expressways or not? Many trunkline highways today have a traffic volume as high as 2,000-5,000 cars a day, and even as high as 10,000 cars a day in some isolated sections. According to the above estimate, the projected traffic volume will reach 10,000-25,000 cars a day in 20 years. There-

fore, it is quite necessary to build expressways. However, due to lack of capital and land, expressways cannot be expected to become a network even as late as the year 2000. Under most general circumstances, expressways will most likely to be constructed around large metropoles for the purpose of dispersing overly dense traffic flow.

2. Density of highway networks: At present, the highway density based on area or population in this country is much lower than in the European countries, the United States, and Japan, and even lower than India. Starting out with an objective to support agriculture and to promote the circulation of goods between cities and villages, we must aggressively develop county and commune highways. However, there are many mountainous areas in this country where construction work will be extremely difficult. I presume that by the year 2000, there will be highways reaching every commune and roads connecting every batallion, thus basically satisfying the needs of the four modernizations. Needless to say, the highway density at this stage will still be lower than that of the above-mentioned nations today.

3. Mechanization of road construction and maintenance: This is one of the indexes used to measure highway modernization abroad. The situations are different in this country. The level of mechanized road construction is still very low, and road maintenance is still basically done by hand. It is impossible for us to achieve the level of mechanization of the United States and the European countries today within the next 10-20 years. Besides, there is an abundant labor force resource in this country. Highway enterprises should develop mechanization according to the different and unique circumstances of this country. Trunkline highway construction may achieve mechanization first. As for the construction and maintenance of other ordinary highways, mechanization or semimechanization can be carried out gradually. As for the development of various types of machinery, the emphasis should be on developing machinery that can guarantee the necessary quality of the work.

4. Capital for highway construction: Construction of modern highways requires a huge sum of capital. We must aggressively explore capital sources on the one hand and continue to strive to lower the construction costs on the other hand in order to save capital. The source of the road-construction fund should be multichanneled. The county and commune road-construction fund should come mainly from the people, with public assistance as a secondary source. A portion of the fund may be drawn from the road maintenance budget for the improvement of existing highway technology. However, the government should increase a portion of the basic construction capital and use it for the construction of trunkline highways. The situation which existed for a very long period of time, in which the government did not take over the economic trunkline highway construction fund, must be changed. Otherwise, modernization of highways shall become empty words.

5. Highway modernization and highway transportation, their place and their action: Highway modernization will create favorable conditions for increasing the volume and speed of highway transportation. However, according to the historic background of this country and the circumstances of the development of its communication and transportation, it is likely that by the end of the 20th century the railroad may still remain this nation's main means of transportation. We should, under the premise of developing various means of transportation jointly, fully demonstrate the characteristics of highway transportation--mobility and flexibility--and make it become the main means of short-distance transportation. At the same time, public

passenger transportation between major cities should also be developed appropriately. We must construct our highway network according to the characteristics of our highway transportation described above.

The opinions described above may be comparable to the opinions about a leopard seen through a tube; mistakes are therefore unavoidable.

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CSO: 4006

TRANSPORTATION

BRIEFS

JIANGSU HIGHWAY, APARTMENT SCANDAL--Beijing, October 23 (XINHUA)--Work units building a 24-kilometer stretch of highway in Jiangsu Province, misappropriated enough funds and materials to build three apartment buildings and an office and to pay for staff pleasure trips to neighboring provinces, the "GUANGMING DAILY" reported today. As a result, the road between the provincial capital of Nanjing and Luhe County cost 35 million yuan and began to break up three months after it was opened to traffic, the paper said. Under the heading "How a Bumpy Highway Was Built With Huge Sums of Public Money," the newspaper said this is not an isolated case and called on readers to send letters or articles "exposing this evil wind and praising people who fight it." The "GUANGMING DAILY" said that 137 tons of rolled steel, 1,200 tons of cement, 500 tons of asphalt, 43 tons of coal, 170 tons of lime and 316 cubic meters of timber were misappropriated by work units and individuals involved in building the Nanjing-Luhe highway. "The actual figures will be much greater when the accounts are thoroughly investigated," it said. The Luhe highway construction team gave 200 tons of cement in exchange for gas cylinders which are scarce, the paper said and it named the Luhe communications bureau in the apartments scandal. [Text] [OW231250 Beijing XINHUA in English 1221 GMT 23 Oct 80]

CSO: 4020

BRIEFS

CEMENT TECHNOLOGY SEMINAR--Beijing, October 24 (XINHUA)--An inter-regional seminar on cement technology closed here today after discussing energy-saving techniques, multi-purpose use of resources, pollution control and related problems. Thirty-five representatives from 17 Asian, African and European countries attended the two-week seminar, which was jointly sponsored by the United Nations Industrial Development Organization and China to promote cement technology in developing countries. During the period, the representatives visited cement plants in Shandonx and Jiangsu Provinces, East China. They showed particular interest in the simple but efficient equipment introduced there to mechanize or automate production processes. They also remarked that China should not have built some cement plants in cities, because they are far away from raw material producing areas and cause pollution. [Text] [OW270926 Beijing XINHUA in English 1500 GMT 24 Oct 80]

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END

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China Report

ECONOMIC AFFAIRS

No. 100

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CHINA REPORT

ECONOMIC AFFAIRS

No. 100

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RESEARCH, APPLICATION OF QUANTITATIVE ECONOMICS STRESSED

Hangzhou ZHEJIANG RIBAO in Chinese 6 Sep 80 p 3

[Article by Wang Chenglong [3769 2052 7893]: "Attention Should Be Given to Research on and Application of Quantitative Economics"]

[Text] Most recently, some ten specialists and scholars held a symposium in Peking and proposed that effective measures be adopted for carrying out research on and practical application of quantitative economics in economic work in order to serve socialist construction. This is highly essential.

Quantitative economics is an effective tool that must be grasped in economic reconstruction. It makes use of the methods of modern mathematics, mathematical statistics and electronic computers to carry out comprehensive study and analysis of the quantitative dependend relationships among the various sectors of the national economy. It also makes use of a type of scientific method for the comprehensive ratio of reproduction. By means of quantitative economics, we can come to an even deeper understanding and mastery of complex economic phenomena and their objective regularity in order to weigh advantages and disadvantages, consider the relative importance of losses and gains, estimate trends that have not yet developed, propose optimum plans and expand economic effectiveness.

As socialized production and science and technology develop, the connections between technology and economy in the various sectors of our national economy become more complex and become closer. There are direct and also indirect relationships among them. That is, there are vertical relationships and there are also horizontal relationships. There are favorable relationships and there are adverse relationships. These all form a complex and involved set of chain relationships. For this reason it is difficult to engage in penetrating research on and to master the interdependent quantitative relationships among the various sectors of the national economy by relying solely on the directly perceived experiences of people and on ordinary social economic statistics. Rather, we must avail ourselves of the methods of modern applied mathematics (such as matric algebra, mathematical programming, probability theory and mathematical statistics,

mathematical statistics and network method) and electronic computers. For example, when we are carrying out planned compreshensive equilibrium, quantitative economics must be applied to the indirect consumption of products. For example, it is very difficult to obtain a clear answer to such questions as how much food and cotton are needed to produce an automobile, how much steel, wood and cement are needed to produce a ton of food and other such indirect requirements on the basis of existing methods of calculation and of direct perceived personal experience. For this reason, we must avail ourselves of quantitative economics, which is based on higher mathematics. The mathematical method is an important method of understanding which Engels called a "supplementary tool and mode of representation of dialectics." Marx went so far as to hold that "It is only when a science has successfully applied mathematics that it can be considered to have arrived at a point of perfection." If we are to perfect socialist economics, we must apply modern mathematics. If we do not, it will be very difficult for us to arrive at correct understandings of and solutions to many complex economic phenomena and economic problems.

Why is it that the state has for many years expended a great amount of money in our economic work and has achieved very poor economic effects? One reason for this is that some of our leaders and industrial managers lack scientific minds and neglect mathematical analysis and research in economic movements, relying solely on assumptions, subjective suppositions and individual will in handling work. There have been several major construction projects in which decisions were made and that were started blindly and carried out carelessly without first clearly ascertaining the complex economic relationships within a sector or the resources, water sources and geological conditions in a region and without first having carried out adequate and reliable quantitative calculations and analyses. This has resulted in some projects having to be moved either after having been started or after construction because of a lack of water sources. After some projects have been completed, it has been discovered that the problem of raw materials cannot be solved. In the cases of other projects, severe sinking and cracking have occurred after construction was completed, with large amounts of capital having to be expended to reinforce them. All of these instances resulted in immense economic losses for the nation and the people. This situation indicates that there is a serious deficiency in out technical and economic viewpoints. The principal manifestation of this deficiency in our technical and economic viewpoints is not giving serious regard to quantitative economics.

The objective laws of economic movements demonstrate that quantitative economics has an extremely broad range of applications in the spheres of both macroeconomics and microeconomics. At present, there are close to 100 countries in the world in which an economical mathematical model, i.e., the "put into production method" (the origin of the "put into production method" was introduced in the 18th issue of this publication) is being used to prepare various types of economic equilibrium tables for the purpose of strengthening economic analysis, carrying out economic predictions and

bringing about the modernization of economic management. The "sector relations equilibrium method," which has been carried out on a trial basis in our nation, also had its origin in the "put into production method." However, in the past, because of the influence of the ultra-left trend of thought and the interference of Lin Biao and the "gang of four," quantitative economics was unanalytically labeled as being a capitalist school of economics, for which reason quantitative economics has for a long period been in a state of stangnation in this country. In order to accelerate the Four Modernizations, we must intensify our study of, research on and application of quantitative economics. Our nation is a socialist nation. The socialist system is superior to the capitalist system and we can certainly apply quantitative economics more broadly and more effectively than could a capitalist nation in further promoting the expansion of socialist economics.

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CSO: 4006

IMPLEMENTATION OF PIECE RATE WAGE SYSTEM URGED

Hangzhou ZHEJIANG RIBAO in Chinese 6 Sep 80 p 3

[Article by Zhou Jing [0719 4842]: "A Piece Rate Wage System Should Be Put Into Practice"]

[Text] The so-called piece rate wage system is remuneration for labor that is payed on the basis of the quantity of up-to-quality product completed by the producer or on the basis of the assigned quantity and of the piece unit price that is determined in advance. It has two distinct characteristics. First, it can comparatively accurately reflect the actual labor output of the laborer, and, second, it can make a direct connection between the results of labor and remuneration. On the basis of the present production conditions and technical level of the industrial enterprises in our nation, of objective economic laws and of the requirements for establishment of modernization, we must put the piece rate wage system into practice. However, at present there is very great resistance to putting the piece rate wage system into practice. There is only a very small number of units that have put it into practice. This is a problem that must be studied and resolved.

In Marxism, it is recognized that the distribution of consumer goods in any society "is no more than the result of the conditions of production themselves, i.e., that production determines distribution. It cannot be denied that among the over 300,000 industrial enterprises in the nation, there are some industries with advanced technological equipment, having a comparatively high degree of automation, coordination and using assembly line methods in their production process in which piece rate remuneration is not suitable. However, in the greater majority of industries, the extent of mechanization of industry is comparatively low, there being many types of work among industrial processes in which individual manual operations must be relied on or in which the machinery is directly operated by the workers. In these cases, the quantiy o production, the quality of the products and economic effectiveness depend to a great extent on the technical level, the degree of skill and the intensity of labor of the individual worker. Therefore, it is necessary to put the piece rate wage system into practice in this sector of industry

or type of work so that the distribution of consumer goods conforms to the "distribution of production conditions themselves." In implementing the piece rate wage system, the income in wages of industrial staff and workers is directly linked with the results of labor so that it becomes more possible to bring the initiative of industry into play, to arouse a positive spirit among the staff and workers, to promote the expansion of production and to make practical increases in economic effectiveness.

To this end, we must "prepare the public" for implementation of the piece rate wage system.

We must have a thorough knowledge of the quality and effects of the piece rate wage system in a socialist system. Because the piece rate wage system has its origin in capitalist society and because it clearly serves to deepen capitalist exploitation as well as because of the fact that Lin Biao and the "gang of four" vilified the principle of distribution according to work, various accusations have been lodged against the piece rate wage system with the result that there are some industries and sectors in which there is a fear of putting the piece rate system into practice. These are fetters that hamper putting the piece rate wage system into practice and must be thoroughly smashed. It should be acknowledged that, under a socialist system, labor power is not a commodity and the piece rate wage system is not a mode of transformation of the price of the labor force. Therefore, the quality and effects of the piece rate wage system is basically different than under a capitalist system. Here, the piece rate wage system not only does not manifest itself in exploitative relationships, but, on the contrary, embodies a socialist distribution relationship among the nation, the collective and the individual and is a scientific mode of remuneration for labor in which the principle of distribution according to work. At present, the Party Central Committee is calling for liberation of thought and relaxation of policy in order to activate the economy. We should break our mental chains, enter deeply into practice, carry on investigation and research, summarize our experiences and actively put the piece rate wage system into practice.

We must earnestly strengthen industrial management and administration. In putting the piece rate wage system into practice, we must fulfill industrial production missions, make complete records of source materials, set quotas that can be carried out reasonably and have strict quality testing. In a word, industry must have a scientific administration system. However, because many industries at present do not have solid basic management, do not set the level of quotas accurately, do not fulfill their missions and do not produce stable products, they are deficient in the conditions for putting the piece rate wage system into practice. This situation of "having smoke without fire and of looking at the blue sky with the white of the eyes" must be changed quickly. We must get a firm grasp on industrial reorganization and standardize all the basic management work of industry, including original records, calculations and statistics, setting of quotas and administration, technical operations, servicing of

equipment, safe production, civilized production and unit economic accounting through rules, regulations and systems. These matters should be finalized and the system of personal responsibility should be applied to individuals so that there will be a firm basis for putting the piece rate wage system into practice. Of course, implementation of the piece rate wage system is also an important measure for strengthening and improving industrial management and administration. We should be sure not to oppose implementation of the piece rate wage system to and a low level of management. Nor with this as a reason should we negatively await the level of industrial management to rise. The correct attitude is as follows: We should set out from the existing management base, distinguish between various types of conditions and adopt different types of piece rate wages. For example, in the case of an industry with sound management systems, with progressive and rational setting of labor quotas and with a stable product, we can adopt a direct, unlimited piece rate system. In the case of an industry in which there is provisional setting of quotas, trial setting of quotas or in which primary estimation of work and setting of quotas is being carried out, we can adopt a mode of limited piece rates. In the case of an industry in which objective conditions are comparatively poor and in which the production products are temporarily not stable, we can adopt an above quota piece rate system. In addition, in the case of an industry in which there are complicated personnel structures with differences in wage levels, a semi-time rate semi-piece rate system can be adopted. At the same time, in industries and types of work in which there are many manual operations, in which setting of labor quotas can be applied to the individual and in which the results of labor can be calculated directly, an individual piece rate system can be adopted. In industries and types of work in which there is a comparatively high degree of mechanization, in which there is a comparatively fine division of labor and in which the setting of labor quotas can only be applied to the workshop or unit, a collective piece rate system can be adopted. In summary, we should maintain a positive attitude, set up the optimum system for any given plant and put it into effect gradually, continually perfecting and improving it in practice.

If we are to reform our existing economic system, we must create good conditions for industry. There is another major reason why the piece rate wage system is at present not expanding. This is because the existing economic management system is not suited to it. For example, at present there are still large numbers of tasks of arrangement that are borne by industry. If an industry is to implement a piece rate wage system, then the hiring and dismissal of workers and staff must be based on the actual requirements of production, with the result that a contradiction arises with arranging work. The problems in these economic management systems must be solved by reforming the economic system. Most recently, the Central Committee has formulated the basic means for solving the labor employment problem which will create favorable conditions for implementation of the piece rate wage system by industry. Industry should actively assume the responsibility of arranging tasks, open up wide avenues for

production and employment and through the rational allocation of the labor force give free reign to the subjective dynamic actions of the people. At the same time, ideological and political work must be strengthened, a communist work attitude must be promoted, cooperation in production must be done well and there must be strict observation of labor discipline and the rules of technological procedures. In this way, we can ensure the implementation of the piece rate wage system. It is only in this way that we can give free play to its economic lever action in order to create even higher labor productivity for establishing socialist modernization.

10019
CSO: 4006

ECONOMIC ZONES IN GUANGDONG PROMOTE FOUR MODERNIZATIONS

Guangzhou NANFANG RIBAO in Chinese 4 Sep 80 p 1

[Article: "There are Methods That Can be Depended on, There are Rules That Can be Followed and There are Clear Objectives for Doing a Good Job on the Special Economic Zones for Further Serving the Four Modernizations; Questions Relating to the "Ordinance on Special Economic Zones in Guangdong Province' Asked by Reporters and Answered by Responsible Persons of the Provincial Economic Special Zones Management Committee"]

[Text] A responsible person from the Guangdong Province Economic Special Zones Management Committee was interviewed by a reporter on problems relating to the "Ordinance on Special Economic Zones in Guangdong Province," with the following conversation having occurred.

Question: At the 15th session of the Standing Committee of the Fifth National People's Congress, the "Ordinance on Special Economic Zones in Guangdong Province" was discussed and approved. What is the significance of the public announcement of this ordinance for the establishment of special economic zones in Guangdong.

Answer: Its major significance lies in the fact that a statute has been established. An ordinance of a province is submitted by the State Council to the Standing Committee of the National Peoples Congress for determination and approval. This in itself indicates its great significance. If we say that everything relating to the three special zones in Guangdong before the legislation fell under the category of preparatory work, then the public announcement of the ordinance means that the establishment of the special zones has been formally inaugurated. The ordinance is an overall regulation. Now that we have this overall regulation, that it has been approved and that the legislative procedure has been completed, the special zones can, on the basis of the principles set out in the ordinance, be applied to various activities for the expansion of foreign economic cooperation. At the same time, a series of concrete methods of execution has been formulated in the spirit of the ordinance so that there can be methods that can be relied upon and regulation that can be followed

in establishing the special zones. At present, the forces for doing this work are being organized and active progress is being made.

Question: Can you discuss the process whereby the ordinance was formulated?

Answer: The setting up of special zones in Guangdong was a part of the major policy decision of last year in which the Central Committee of the Chinese Communist Party and the State Council approved of Guangdong Province implementing special policies and flexible measures for foreing economic activities. In order to implement the directive of the Central Committee, drafting work on the ordinance was begun in August of last year. In the course of drafting and revising the ordinance over a period of a year, relevant data were gone over to the greatest extent possible and specialists in the sphere of economics, responsible persons in concerned sectors and persons from economic circles in Hong Kong and Macao were invited to many conferences. After eleven revisions of the draft of the ordinance, it was in principle adopted by the second session of the Guangdong Province People's Congress in February of last year. Following that, many deliberations and revisions were made. The State Council gave very serious consideration to this and called together more than 10 concerned sectors for the purpose of carrying out conscientious discussions of revisions. It was then submitted to Standing Committee of the National People's Congress. It can be said that the formulation of the ordinance was very earnest and conscientious and was advanced on the basis of detailed study of relevant conditions in the sphere of international economic activity and of the actual circumstances in our nation.

Question: What is the principal content of this ordinance and what are its outstanding characteristics?

Answer: The ordinance is permeated with the spirit of friendly cooperation and preferential mutual benefit. The ordinance stipulates that the special zones provide a broad range of management for foreign citizens, overseas Chinese and our compatriots in Hong Kong and Macao, that it create favorable conditions for business and that it assure a stable site for carrying on business so that all industries of positive significance in international economics and in the exchange of technology, agriculture, animal husbandry, aquatic breeding, residential and construction industries, high technology research and technology industries and other businesses with which we have common interests can be set through investment or through joint investment with us. That is to say, the sphere and items of economic cooperation that the special zones and various businesses involve are extremely broad. All that is necessary is that both sides have interest and that something is advantageous to both sides. In that case, the special zones will whole-heartily welcome these ventures. Moreover, they will provide favorable conditions for land use, management of foreign exchange and taxes. It will also provide as much convenience as possible for personnel and import of goods.

Question: What is a special zone? What kind of special zones must we establish?

Answer: At present, there are people both inside and outside the province who do not understand special zones. As soon as they hear that Guangdong is going to have special zones, they think that all of Shenzhen, Zhuhai and Shantou are "special zones." In actuality, what we mean by special zones is that certain regions in these three cities have been singled out to serve as special zones. In some ways, they are like the "export processing zones" in some nations and regions of the world. These zones are areas that have been set apart for bringing in foreign capital in which investments are made in setting up factories and running various types of processing industries. However, the export processing zones in foreign countries are comparatively one-sided. The range of business that is carried out in our special zones is much broader and is comprehensive in character. To speak of the Shenzhen Special Zone, the plan for this region is primarily for industry, while at the same time tourism will be developed, trade and service industries will be run and residences and sites for farming, animal husbandry and aquatic breeding production will be established.

In accordance with the spirit of adopting special policies and flexible measures for foreign economic activities, favorable conditions will be given for investors so that as much convenience as possible will be provided for investors, with every possible means being taken to bring in foreign capital, technology and equipment. It is our feeling that we can be somewhat lenient about various conditions as long as sovereignty is in our hands. This is because it is only by relaxing conditions to some extent that we can make conditions attractive and get things going faster.

Question: What is the objective of the special zones?

Answer: Our special economic zones, which are under the management of the people's government, are a means of supplementing the socialist economy. They bring the characteristics of Hong Kong and Macao, which are neigbors of our province, with their large number of overseas Chinese into full play and they are a major means for making full use of foreign capital in the service of the Four Modernizations. Our basic objective in setting up the special zones is, through these specially designated zones special measures, to attract foreign capital more effectively, to bring in equipment and technology, to summarize experiences in management and administration and to train qualified personnel in various areas in order to promote service to the Four Modernization in our country. Once we are clear about our objectives, this will enable us to bring about the close integration of our management of our special zones with our strategic goal of realizing the Four Modernizations so that we will not get off course. This point is very important.

Question: After a year of investigation and research, what changes do you think there have been in the regions of the three special economic zones of Shenzhen, Zhuhai and Shantou?

Answer: Preliminary program blueprints have been made for the three special economic zones. After close to a year of study, the plans for the three special zones have more scale and are closer to reality than the first conceptions. To take the Shenzhen Special Zone as an example, it was the original idea to set apart a certain region in the Futian Commune as a special zone. As the result of a year's study by specialists in various fields and after having developed various plans and having compared them, a preliminary determination was made on the scope of the plan for the Shenzhen Special Zone which was that it would start in the east at Daxiao and Meisha and extending westward to Nantou and Shetou over an area of more than 300 square kilometers. The construction of the special zone as a whole will be carried out by taking the measures of "overall planning and execution by region and by stages."

At present, the first phase of the development engineering of the Shenzhen Special Zone is concentrated primarily from Luohu East Station to the north of Wenjin ferry, within 0.8 square kilometers to the south of the Laocheng district. Plans are under way to develop the area to the west of the Laocheng district as an industrial zone. At present, an earth-leveling project is getting underway and several factories are already being built. At the same time, there are also plans to develop such regions as Shenzhen Reservoir and the Meisha seashore as tourist regions. Several large design institutes from throughout the nation have sent outstanding engineers and technicians to Shenzhen to take part in planning and design.

Question: What are some of the major aspects of the first stage project at Luohu?

Answer: First, there is the basic construction project of the "four openings-up and the one leveling" (getting in water, putting in electricity, opening up roads and opening up communications and leveling the ground). These jobs are now being started. There still remain the expansion and reconstruction of Luohu East Station and Wenjin Ferry. We are also making every effort to change the complexity and the confusion of export procedures as quickly as possible. At the same time, we are also building a few high-storied bazaars and writing buildings as well as a peace and happiness center and a bar. With hard work, we'll be able to make the Luohu District into a commercial and service industry zone within two or three years.

Question: What difficulties and problems have been encountered in building the special economic zones?

Answer: In the course of building the special zones, it is necessary for there to be a single process from revising any existing systems that are not in conformity with the special zones oridinance and gradually formulating various types of detailed rules and regulations for implementation to improving the basic construction of the city so that various aspects can become suited to the development of special zone industries. In this

process, it is hope that it will be possible to obtain the cooperation and energetic support of the public figures who are concerned with the establishment of the special zones in their various aspects. At present, it appears that a number of difficulties and problems are sure to be met with in the course of building the economic zones. However, we can be assured that all of these difficulties and problems can be resolved. Those public figures who understand the process of planning and preparing the special zones are fully confident about building and developing the special zones.

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GUANGDONG EXPANDS DECISION-MAKING POWER OF ENTERPRISES

Hong Kong ZHONGGUO XINWEN in Chinese 14 Aug 80 p 2

[Article: "First Effects of Expansion of Independent Initiative of Enterprises in Guangdong Province"]

[Text] (China News Service, Guangzhou, of 13 August): A few days ago, Yuan Ying [0626 3841], vice chairman of the Guangdong Province Economic Committee, answered a reporter's questions concerning problems of expansion of decision-making power of enterprises in Guangdong Province.

Question: When did Guangdong Province begin expanding the decision-making power of enterprises? To what extent is this being done at present?

Answer: Since September of last year, two groups throughout the province totaling 179 enterprises have been designated as test units for expansion of enterprise decision-making. These test unit enterprises are for the most part light textile industries and chemical industries which are the backbone industries of this province. The value of the output of these industries accounts for more than 40 percent of that of local state-managed industries in the province as a whole, while their total profits amount to over 80% of those of local state-managed industries in the province as a whole.

Question: What is the nature of the expansion of decision-making power of enterprises?

Answer: On the basis of the stipulations of the State Council and the Provincial People's Government, the principal rights extended to the test unit enterprises are the following: (1) Some personnel rights in that the test unit enterprises can appoint and dismiss middle-level below middle-level cadre; (2) some production planning rights and some product sales rights, i.e., with the prerequisite that the state plan has been completed, on the basis of the state of demand in the market they can organize production outside the plan and the products for which production has been

increased can be purchased by the commercial, foreign trade or commodity sectors or can be sold by the enterprises themselves; (3) some financial rights in that they can put into effect a profits retention system, the enterprise being able to use the portion retained as it sees fit; (4) the rights to recruit workers and to choose preferential recruitment; (5) the right of rewards and punishments.

Question: What have been the effects in enterprises in which in which decision-making has been expanded?

Answer: The work of expanding the decision making of enterprises in the test units is an important aspect the reform of China's economic management system. From the standpoint of practice in Guangdong for close to a year, the expansion of the decision-making power of enterprises has involved the implementation of the principles of linking rights and responsibilities and of linking rights and interests. It has brought about the integration of the interests of the state, the enterprises and the individual, causing the enterprises to begin to have their own internal economic motive power, arousing the socialist enthusiasm of the enterprises and their workers and staff, strengthening the management of the enterprises and bringing about increased production and increased income. The majority of the test unit enterprises has achieved the objectives of greater gains for the state, greater retention for the enterprises and greater benefits for the individual.

In state-managed enterprises in which decision making power has not been expanded, appointment and dismissal of personnel, allocation of labor power, production planning, supply of raw materials, selling of products, basic construction and purchase of equipment are all arranged by the state. If an enterprise suffers a loss, it is made up by the state. If a profit is made, it is all handed over to higher levels. Thus, the enterprises have relatively no decision-making power of their own and also do not assume any economic responsibilities. After the decision-making power of an enterprise has been expanded, speaking in terms of distribution, retention of profits is instituted. Thus, when there are large profits, "the water rises and the boat rides high." When there is a relatively large increase in retention, there are also corresponding increases in the collective welfare and bonuses for the staff and workers. The enterprise can use the retained capital to expand production. This is beneficial for arousing the enthusiasm of the enterprise and its staff and workers for managing production. The profits realized by the first group of 100 test unit enterprises last year were 8.6 percent over plans. In the first half of this year, there was an increase of 30.46 percent in the total profits of 96 enterprises as compared to the same period for the previous year. From the standpoint of enterprise management, the initiation of economic methods in the management of enterprises strengthened economic accounting. From the standpoint of production and circulation, production can be organized on the basis of market demand and the enterprises can sell some of their products themselves. This spurs the enterprises into taking

every possible means to raise the volume of production, to increase the varieties and types of products and to produce products that are suited for sale and that meet needs with the result that the turnover of capital is accelerated. From last year to May of this year, the light industries in Guangzhou City have completed a total of more than 6800 research projects on new varieties, new products and new technology. These have activated the economy and the markets.

At present, the majority of "test unit" enterprises reflect the following points. There is the necessity for further expansion of the substance of decision-making by enterprises. There are some matters of jurisdiction that have not yet been implemented and the management systems in some sectors of the people's economy that have not yet been reformed. Objectively, this restricts the expansion of decision-making on the parts of enterprises. There must be conscientious summarization of experiences concerning these matters so that improvements can be made.

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FINANCE AND BANKING

OVERALL ECONOMIC ACCOUNTING SHOULD BE DONE WELL

Tianjin TIANJIN RIBAO in Chinese 26 Aug 80 p 3

[Article by Li Genchang [2621 2704 7022]: "Conscientiously Doing a Good Job of Overall Economic Accounting"]

[Text] Conscientiously doing a good job of overall quality management, overall economic accounting and overall personnel training (referred to in brief as the "three overalls") are powerful measures for raising the quality of products, for lowering the costs of products, for raising the overall level and vocational capabilities of workers and staff members and for improving industrial management. At present, there are several industries that have obtained various experiences in the course of implementing the "three overalls." However, there are several industries that have not been able to give them serious attention and that have not exerted themselves in carrying them out. In particular, insufficient attention has been given to overall economic accounting. In some cases, the nature of overall economic accounting is not understood so that it is very difficult to carry it out in a comprehensive way in work. In some cases, it is thought that economic effects come from work not from calculation, that is, if calculations are not made, something is done in a certain way and calculations should also be done in a certain way. For this reason, accounting is not done conscientiously. These problems are impeding the practice of overall economic accounting and must be resolved conscientiously.

Why is it called overall economic accounting? This question requires a thorough inquiry. Generally speaking, I believe that it is overall personnel accounting for labor consumption, labor use and labor results in the course of simple reproduction and expanded reproduction and that it is an effective method using economic means to manage modernized industrial enterprises. Its content is extremely broad. To put it in the language of the workers, "What you are doing and what you are managing are what you reckon." On the basis of actual practice in a number of enterprises, it can be summed up primarily in the following five aspects.

(1) Economic accounting is carried out for all products of production. It is necessary to find out what products are above the profit-loss line, what products are below the profit-loss line and select those products that are above the profit-loss line for production. If it is necessary to produce a product that is below the proft-loss line because of the needs of the state and the people's ;ivelihood, then it is necessary to improve production design and technology with self-awareness in order to do everything possible to lower production costs, decrease capital use, decrease losses to the greatest extent possible and to assure that the total profit level does not fall.

(2) Economic accounting should be carried out for each stage of production in the entire production process, including research on and design of the product, manufacture, sales and even use. The following situation often occurs: There is a profit for the products as a whole, but there is a fairly large amount of waste in a certain stage of production. For example, the manufacture of special-purpose equipment and standard tools one the one hand raises labor efficiency but also consumes manpower, material resources and financial resources with the result that the level of the cost of the product is affected. This situation should be subjected to economic accounting with attention being given to the ratio between what is expended and what is gained.

(3) The use of various forms of funds during the course of production should be subjected to economic accounting. There is a close relationship between use of funds and economic effects. Under ordinary conditions, there is an inverse ratio between use of capital and costs while there is a direct ratio between the former and profit. In enterprises with a high degree of technical equipment, the amount of funds used is great, costs are low and profit is high. In enterprises with a low degree of technical equipment, the amount of funds used is low, costs are high and profit is low. Through the development of overall economic accounting, the various types of use funds can be reduced to a rational degree so that it will be possible to decrease the amount of funds used without increasing costs. As the result, the fund profit margin is increased.

(4) Economic accounting should be carried out not only for simple reproduction but should also be carried out for expanded reproduction. Practice tells us that the magnitude of the economic effectiveness of an enterprise is determined by whether administration and management during the course of simple reproduction is good or bad. It is also determined before construction of a plant by such factors as selection of plant site, engineering design, speed of construction, quality of installation, product direction and scale of production. In the past, by economic accounting was meant only economic accounting during the course of simple reproduction, while economic accounting during the course of expanded reproduction was neglected. As the result, losses often began on the day the newly established enterprise started work and went into production.

(5) All of the workers and staff of an enterprise should participate in economic accounting. Under the present conditions of modernized large-scale production, production expenditures become more dispersed and more complicated as the division of labor and cooperation within the enterprise become more and more finely divided. Thus, it does not do for accounting to be in the hands of a small number of specialists. Economic accounting must be carried out by all of the workers and staff joining with the specific workers and staff involved.

In so-called overall economic accounting, accounting at the least should be carried out on the basis of the foregoing five aspects. At present, the economic accounting that is being carried out by the majority of enterprises is not comprehensive. It should gradually be made comprehensive on the basis of the actual conditions in a given enterprise. Those way of thinking that repudiate the effectiveness of economic accounting are even more incorrect. In the management of an enterprise, overall economic accounting exerts important functions. These are manifested as follows.

First, an optimum plan should be selected through overall economic accounting. In all technical and economic activities of an enterprise, including such work as product design, organization of technology, factory building reconstruction, pruchase of equipment and recrutiment of labor, planning, budgeting and determination of policy should be carried out in advance. If policy is to be set correctly, various plans should be subjected to economic accounting, their advantages and disadvantages weighed and the best plan selected. For example, the cost of a product is for the most part determined in the design stage. Thus, repeated comparisons must be made of various design from the standpoints of technical effects and economic effectiveness so that the relationships between performance and costs can be handled correctly. Because there is a direct ratio between benefits and performance and an inverse ratio between the former and costs, as performance increases, costs decrease and the benefits obtained increase. Therefore, under conditions in which product performance is assured, everything possible should be done to simplify product structure and spare parts structure, with precision processing not being used when coarse processing can be used and without using top-quality high-priced materials when low-quality cheap materials can be used. It is only in this way there can be assurance of obtaining higher economic effectiveness at the lowest cost.

Second, formation of costs should be controlled through overall economic accounting. At present, the costs of many enterprises are not formed under strong control but rather are formed at random as the result of the effects of various factors. Therefore, costs are very unstable, being high at one time and low the next. In order to change a situation of this type, it is necessary to control product cost by means of overall economic accounting. Overall economic accounting can generally be divided into four procedures: planning quotas; supervision and management;

accounting analysis; improving procedures. In regard to costs, a planning quota that will give the lowest costs is determined first and is then broken down into smaller quotas that are put into effect in departments, workrooms and unit groups. Following that, supervision and management are carried out during the course of formation of costs, with expenses being paid according to the plan, with materials being distributed in accordance with the quota and with production being organized in accordance with the production quota. Next, economic accounting is carried out in regard to the state of completion of quotas in each stage of the entire process. This also involves control of information feedback of instructions. Constrastive analysis is also carried out of what has actually been completed and of the planned quota in order to find any errors that have occurred and their causes. Finally, procedures are determined for correcting the errors. In this way, various types of consumption can be controlled within the scope of the planned costs. These four procedures of overall economic accounting correspond to the PDCA (abbreviations of the four English words, planning, deployment, checking and application) in TQC (T,Q,C being the first letters of the English words Total, Quality and Control, with the letters TQC together standing for Total Quality Control). At each cycle, errors are corrected once so that actual costs can be kept close to planned costs. For example, repeating of the cycle can result in control of the entire process of formation of product costs.

Third, by means of overall economic accounting, an enterprise can be stimulated to integrate rights, responsibilities and benefits and to improve administration and management. Socialist enterprises are enterprises that are independently run on the basis of the system of public ownership of the means of production. The state gives the enterprise certain economic rights in regard to production, supply, sales, personnel, finances and materials. The enterprise assumes such economic responsibilities as completing the production mission assigned by the state on time and handing over a certain proportion of taxes and profits. At the same time, it correspondingly also obtains certain economic benefits. These three aspects are closely related to each other. Overall economic accounting stimulates an enterprise to integrate its economic rights with its economic responsibilities and economic effectiveness with economic benefits by bringing into play the effects of the inherent motive power of economic benefits. The issuing of economic accounting quotas is the implementation of economic responsibilities and the accounting when a quota has been completed is an examination of the state of fulfillment of economic responsibilities. Whether a quota has been completed well or badly indicates whether economic responsibilities have been fulfilled well or badly. This determines how much economic benefit is obtained, with severe unemployment is a punishment that is received economically and legally. Therefore, carrying out overall economic accounting can impel an enterprise to study scientific management methods, to improve its administration and management and to increase its economic effectiveness, If this is not done, it is very difficult for the enterprise to be managed well.

It can be seen that overall economic accounting must be carried out. We must become fully aware of the important functions of overall economic accounting and conscientiously put it into effect. In addition to solving this problem of awareness, we must also expend a great deal of effort, make some "clumsy" efforts and carry out basic management work in a strong but crude way in order to create the essential conditions for doing a good job of overall economic accounting.

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SUGGESTIONS MADE FOR INCREASING FUJIAN'S FOREIGN TRADE

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 3, Sep 80 pp 1-6

[Article from Fujian Provincial Foreign Trade Bureau: "Development of Our Province's Understanding and Conceptions About Foreign Trade Matters"]

[Text] Fujian Province, located on China's southeastern seacoast, has a long history of foreign trade. Under the leadership of the programs and policies of the Party Central Committee during the past 30 years, Fujian Province has made definite progress in foreign trade matters, and progress has been by leaps and bounds particularly during the 3 years since the smashing of the "gang of four." In 1979, Fujian Province entered into trade relations with 120 countries and regions of the world. Export figures increased 1.2 fold over 1976 for an average annual increase of 30.1 percent. In looking back over the development of Fujian Province's foreign trade during the past several years, we feel that most important has been the existence of correct policies that have placed exports at their center, singlemindedly emphasizing production to expand the supply of goods for export; and singlemindedly giving attention to marketing to open up foreign markets.

Correct policies have been a major premise underlying the development of foreign trade. During the period of the Great Cultural Revolution, the unstinting promotion by Lin Biao and the "gang of four" of "locking up the country" and vilification of the development of foreign trade as "national betrayal," and as a "slavish philosophy toward all things foreign" negated the position in the national economy and the role that foreign trade should have occupied, confounded people's ideas, and resulted in the stagnation or retrogression of our province's foreign trade. Following the smashing of the "gang of four," and particularly ever since the Third Plenary Session of the 11th Party Central Committee and the Second Session of the Fifth National People's Congress, the Party Central Committee and the State Council have given extreme emphasis to foreign trade, formulating programs for the development of foreign trade, making the active growth of foreign trade, and the development of foreign economic cooperation and technological exchange a firm and unswerving major policy during China's 3-year period of economic readjustment, and for a long time to come, with the result that China has entered a new phase of development of foreign trade. The Party Central Committee and the State Council have also decided to take advantage of the close proximity to our province of Hong Kong and Macao, and of the large numbers of Overseas Chinese, implementing special policies and flexible methods for Fujian Province's foreign economic activities,

and allowing Fujian Province increased room for maneuver in the use of Overseas Chinese capital, foreign capital, the development of foreign trade, the increase in foreign exchange income, and in accelerating the development of the regional economy so as to make a great contribution to the four modernizations of China. This is the Party Central Committee's earnest expectations of Fujian Province, and it is also an encouragement and a goad to the broad masses of foreign trade employees in Fujian Province.

On the basis of the major decision of the Party Central Committee, the Fujian Provincial CCP Committee acted in light of the realities in Fujian Province, proposing a policy for "breakthrough at the center (light industry and foreign trade), and arming of both ends (heavy industry and agriculture)" to give active play to the leverage role of trade in development of the national economy to serve in accelerating the pace of our province's economic construction. This policy of the party greatly aroused the initiative of all quarters in undertaking foreign trade. For the past year or more, all echelons of the CCP Committee have placed foreign trade on their important agenda and have broadly and profoundly undertaken a mental arousal to further strengthen leadership of foreign trade work. All areas and all units have very high enthusiasm for the development of production of export products, and have striven greatly to open avenues and to widen the supply of export goods, even to the exrent that some units that heretofore have had little contact with foreign trade activities such as scientific research, culture and education, hygiene, the Women's Federation, politics and law, and labor units have now gone into action to develop foreign trade undertakings, to increase foreign exchange earnings, and to hasten "four modernization" construction. A situation of party-wide mobilization with everybody acting to engage in foreign trade is in the process of formation.

The key to the development of foreign trade lies in increased exports, and the expansion of exports requires, in turn, that a good job of production be done to place exports on a solid material foundation. This is experience validated by many years of practice. Ever since 1979, every echelon of foreign trade units in Fujian Province has diligently adhered to the important decision of the Third Plenary Session of the 11th Party Central Committee relating to the shift of work emphasis to socialist modernized construction, putting their chief energies into doing a good job in foreign trade endeavors, giving singleminded emphasis to supplies of goods, and to sales promotion. In the organization of supplies of goods, we have been rather attentive to acting in a practical way and in adapting methods to local circumstances to coordinate with the units concerned on the basis of our province's natural resources and production conditions to actively develop export items that are suitable for our province, that have rich regional characteristics, and that are suitable for sale in foreign markets. In practical terms, main emphasis has been given the following.

First, bearing in mind support for agricultural production and the development of diversification in rural villages, and through needed economic techniques (such as the methods of coupling tea and grain and tea and fertilizer) for the support of production of canned raw materials such as tea, rosin, and mushrooms, we have not only promoted the development of large quantities of economic crops and sideline products from rural villages and increased the income of communes, brigades, and commune members, but we have also increased the supply of goods for export. In the

case of mushrooms alone, an annual increase to income to communes, brigades and commune members of more than 40 million yuan has been realized, making mushrooms the greatest sideline occupation earner in the rural villages of Fujian Province.

Second, by capitalizing on the scarcity of land and the large population in the coastal regions of Fujian Province and the existence of a certain amount of light industry and handicraft industries, and following the principle of local procurement of materials, we have assisted development of importation of materials for processing, using imports to nurture exports and to organize development of special handicraft exports such as plastic slippers, protective gloves, cloth shoes, drawnwork, woven bamboo and straw manufactures, and regional goods requiring investment of little capital and on which there is a quick return with a requirement for intensive labor. These have both increased foreign exchange from imports and have supported the development of commune and brigade enterprises, solving the problem of a livelihood for persons awaiting employment.

Third, while striving to expand the export of agricultural sideline native crafts and light industry and handicraft products, active efforts were made to unearth potential for hidden resources in mountain areas. Through production capital and support in equipment and tools, help was given to places or to communes and brigades for collective increases in the export of mine products such as wolframite and granite tailings. Furthermore, insofar as existing production technology permitted, export of pharmaceuticals, machinery and electrical goods gradually increased. The proportion of state purchases for foreign trade of industrial and mining products from Fujian Province rose from 5.4 percent in 1976 to 8.2 percent in 1979.

Fourth, when both domestic and foreign markets require commodities the sources of which are limited, while adhering to the principle of "unified planning that takes all factors into consideration and making proper arrangements," a portion should be squeezed out for export through development of production. Foreign trade departments should support the development of live and rare varieties where there is no great conflict with internal sales and the export of which brings high foreign exchange returns. Examples are aquatic and oceanic products where foreign trade departments should emphasize assistance to communes and brigades in fishing areas in organizing the catching of grouper, swimming crabs, and eel fry, and the hatching of eels so that during the next several years, without any increase in the export of staple economic fish, Fujian Province will earn greater foreign exchange while exporting less. A comparison of 1979 with 1976 shows that Fujian Province's export of aquatic and oceanic products increased only 25 percent in volume, while foreign exchange earned from exports increased almost threefold. Of the total, export of yellow croakers, hairtails, and butterfish, these staple economic fish, increased by less than 10 percent. The increase consisted mostly of miscellaneous freshwater fish, rare fish, and some mollusks. The foreign exchange earned increased more than threefold over 1976.

As a result of the disturbance and destruction caused by the ultraleftist line of Lin Biao and the "gang of four," export of commodity production waned. The supply of goods was erratic, and traditional agricultural sideline native products, in particular, declined dramatically. All import and export companies concerned with foreign trade had no choice but to devote great energy to the organization of

sources of supply of goods. At the time, a kind of "so long as there are goods available, don't worry about selling them" mentality existed, and foreign marketing work consequently received insufficient attention. In recent years, as industrial and agricultural production has gradually moved along the track of healthy development, foreign trade units have shifted their main energies to doing a good job of foreign trade, and every import and export company has begun to emphasize foreign sales work.

First of all, the thrust of trade has been founded on the characteristics of goods Fujian Province has to offer and on marketing plans and arrangements, and in addition to giving attention to the consolidation and strengthening of the supply of goods and exports to traditional markets in Hong Kong, Macao, Singapore, Malaysia, and Japan, marketing work in Europe and North America has also been strengthened. The export (supply) figures for Hong Kong, Macao, Singapore, Malaysia, and Japan for 1979 showed a 1.25 fold increase over 1976, and the proportion of annual exports they occupied was consistent with a slight rise. In 1979, export figures for exports to Western Europe and North America increased 1.7 fold over 1976.

Secondly, as regards marketing channels, a beginning was made in marketing through many channels, i.e. we would do business with anyone who wanted our merchandise, in an effort to gradually move toward the establishment of a relatively stable sales network. Attention was given in principal marketing areas to finding customers with good credit, business ability and a branch and sub-branch organization who were enthusiastic about handling our goods and who could act as agents for certain of our export goods. Currently agents in Southeast Asia and Western Europe have played a definite role in expanding sales of canned goods and tea, the staple exports of Fujian Province.

Furthermore, the method of trade and the style of operations have also changed from the bureaucratic mercantile style of the past of "sitting in the shop awaiting customers," and "living a life of seclusion at home" to inviting customers to our doors and going out to do business. We have developed from simple ways of doing things to diversely flexible trade. In the past, Fujian Province's export trade could only be conducted from within China. Export transactions depended mostly on the twice yearly Guangzhou Export Commodities Trade Fair, and for many years foreign marketing professionals could not be sent abroad nor were foreign traders allowed to come to Fujian. There was a great deal of blindness in operations. In recent years, changes have begun to occur in this state of affairs. During 1979, various import-export companies in Fujian Province sent several score personnel abroad to 23 countries and regions to engage in trade studies and sales promotion activities. The numbers of people going abroad totaled more than had done so during the more than 20 years since Liberation. Additionally, customers from more than 20 countries and regions were invited to visit Fujian to have a look around and to discuss trade matters. This spurred domestic production and enlarged the impact of our export goods abroad. Once customers made on-site inspections of some commodities and understood matters, their confidence in doing business was enhanced and they placed large orders with us or agreed to become sales agents on commission. Importation of materials for processing, importation of parts for assembly, medium and small scale compensatory trade, and sale of goods on commission also gradually grew. Additionally, some initial attention was given the variety of designs, sizes, and colors of

export goods, to the standardization of models, and to packaging and decoration in conformance with the character of foreign markets. Ordering of production on the basis of sales in a teaming of production and sales was also done in a gradual change from the former practice to looking at the international terms through the eyes of the domestic market and the old practice of selling whatever happened to be produced. This enhanced the planning and suitability of merchandising.

Even though we have made some efforts in the organization of the sources of goods for export and in sales promotion work, which has been rewarded with some initial success, nevertheless in an overall sense, the level of Fujian Province's foreign trade is still low. Despite increased exports, the amount is still slight. Though some goods enjoy a reputation in foreign markets, quantities are not great and the goods have not yet become "impact" goods. Our foreign sales force is weak; our understanding of foreign trade matters inadequate; the number of our personnel who understand foreign trade affairs insufficient; and business is not conducted with vigor and proficiency. This does not meet requirements for the rapid development of the economy of Fujian Province or of foreign trade.

In the implementation of the applicable instructions of the Party Central Committee and the State Council on economic activity in Fujian, and in the implementation of the Provincial CCP Committee's proposed "breakthrough at the center and the arming of both ends" for a quickening of the pace of Fujian Province's economic construction, foreign trade units have been assigned a glorious yet arduous task. By way of making better use of foreign trade units in the development of domestic and foreign economic interchange, in promoting industrial and agricultural production, in enlivening the domestic markets, and in accumulating capital for national construction, we offer some ideas for a period in the future on how to increase Fujian Province's foreign trade.

(1) Make full use of foreign market conditions and quicken the pace of development of foreign trade.

China is a socialist country with a population of more than 900 million, in which economic construction can rely only on our own strength. At the same time, however, we must make full use of favorable external conditions and positive factors. In order to make fullest use of the leverage of foreign trade in the national economy and hasten economic construction in Fujian Province to assure the foreign exchange needed for the introduction of technical equipment and the importation of important materials, a great growth in the foreign trade of our province must take place. On the basis of the needs of and possibilities for the development of the national economy, we imagine that in any future year the speed of increase in Fujian's foreign exports will be maintained overall at a somewhat higher rate than the rate of increase in industrial and agricultural production throughout the province. On the basis of Fujian Province's many years of development of foreign trade, particularly the average rate of increase during the 1970's, an annual rate of increase of 20 percent is attainable.

(2) Make fullest use of Fujian Province's favorable conditions; vigorously develop production of export commodities, and gradually change the composition of exports.

Fujian Province is located in the semi-tropics with its face to the sea and mountains at its back. The climate is mild, rains copious, and its ocean broad. Its forestry, mining, and aquatic product resources are quite abundant. It has a definite industrial and agricultural base and many of its products enjoy a reputation in international markets. Additionally, the Central Committee has instituted special policies and flexible methods for the economic activities of Fujian Province, which permit the attraction of Overseas Chinese capital and foreign capital, and the introduction of technology to develop production of commodities for export. It may be said, therefore, that superior conditions exist for the realization of great growth in foreign trade, and that prospects are great.

A look at the current composition of export commodities from Fujian shows that agricultural sideline products and light industrial and handicraft goods account for the bulk. Though there has been an increase in recent years in industrial and mining products, they still constitute only a small proportion of the total, only 8 percent, and most of these are raw materials. A look at the actual merchandise exported shows more than 300 items of which those earning more than 10 million dollars annually include only canned goods, teas, plastic slippers, rosin, and rice. These five items account for 42 percent of the total value of goods exported from Fujian Province and, relatively speaking, may be considered to be the staple export items for Fujian Province. But in terms of both national trade and world trade, they are scarcely worth mentioning.

In order to increase Fujian Province's foreign trade with all possible speed, during the next several years we will have to proceed from our current foundation, adhere to national economic adjustment plans, vigorously open up unused potential, innovate, reform, consolidate, and increase current export commodities, strive to increase new commodities, and closely link the absorption of foreign capital and the introduction of technology to the development of light industry, the chemical industry and exports. We will have to closely connect the development of diversified businesses in rural villages, the readjustment of the economic structure of agriculture, and increases in commodities from commune and brigade enterprises to the expansion of exports. Special attention will have to be given fullest use of Fujian Province's favorable conditions and the most made of its special advantages to make gradual changes in the composition of export commodities, and to strive to carve out a road of its own.

First, there has to be planned exploitation of the province's abundant products and underground ore resources, and vigorous development of industrial and mining products, particularly the export of major industrial chemicals. While maintaining an overall balance among resources, investments, and fuel energy, adapting methods to local circumstances, and making rational overall arrangements, emphasis should be placed on the development of ferrous and non-ferrous ore products (such as wolfram, molybdenum, graphite, and fluorspar), the development of building materials (such as cement, granite, fresh water river gravel, etc.), increases in forestry products and ocean industrial chemicals (such as rosin, plywood, caustic soda, and polyethylene), and certain machinery and electric products. Furthermore, there should be a gradual change away from some raw material items toward the export of manufactures.

Second, actively develop light industry products for export. The emphasis should be on two aspects. One is a strengthening of scientific research for light industrial items with the emphasis on the introduction of advanced technologies for improvements in the quality and technological levels of products, advances in styles and models, increases in variety of designs, sizes, and colors, acceleration of the pace of upgrading and change in products in order to increase the suitability and competitiveness of products in the international market. The other aspect is positive development of new products, combining readjustments to the structure of the agricultural economy and the development of diverse business in rural villages to make complete use of sugarcane and timber, to increase the exports of canned goods, granulated sugar, paper, and lumber, as well as the industrial byproducts of the refining of sugar and the manufacture of paper. Additionally, there must be organized development of labor-intensive products to make use of the abundance of labor in coastal areas of the province where land is scarce and people numerous. Concurrent with fullest use of local resources should be further expansion of the import of materials for processing, using the imports to support exports to increase foreign exchange earnings. There should be emphasis on the development of drawn work, fishing net processing, and on certain special handicrafts.

Third is further consolidation and development of the export of agricultural sideline native products. Fujian Province with its mild climate and suitability for agriculture in all four seasons possesses exceptionally advantageous conditions for the development of agricultural sideline products. Some traditional agricultural sideline products have been historically renowned both at home and abroad. Under existing conditions of production, for some time in the future agricultural native handicraft items will continue to be the major export commodities from Fujian Province. We figure on a future expansion of the export of tea (principally oolong) with active development of mushrooms, dried bamboo shoots, hand made paper, and such traditional agricultural sideline products. Additionally, advantage should be taken of the geographical proximity of Fujian Province to Hong Kong and Macao, and to Fujian having a large number of Overseas Chinese for the development of exports of fruits, vegetables, products of the sea and such fresh or live commodities as well as of certain "Overseas Chinese sale" commodities with a hometown flavor (such as preserved fruits, Chinese style sweets, and rice and wheat manufactures). Effort must be made to do a good job of operating production bases for agricultural sideline products with striving for superior quality, high output and balanced supplies.

(3) Intensification of investigation and research, bold entrance into the international market, doing a good job of sales promotion work abroad, and increase in the level of modernization of foreign trade work.

We must diligently study and master the laws governing the capitalist marketplace and acquire the skills to do business with them. We must study marketing tactics with the characteristics of the capitalist markets in mind, applying every custom, method, and means of sales promotion in international trade, make the most of the superiority of China's socialist system, give full play to the dynamic role in foreign business of every echelon of trade organizations, courageously enter the international market, take our export items into the international markets for examination, allow our foreign trade personnel to go to foreign markets to brave

the storms and get their feet wet in order to learn how to triumph over competitors in the complex international economic struggles, and to do our business well, in large volume, and in a lively way, changing with all possible speed the weak situation currently existing in foreign marketing work.

First, there should be a determination of our marketing tactics, the preparation of an operational plan for commodities, and arrangements made for exports to every region of the world. This work should begin with the realities of commodities available for export from Fujian Province, and be founded on a penetrating investigation, study, and understanding of changes in supply and demand in foreign markets. On the basis of the existing thrust of Fujian Province's existing export trade together with future trends in commodities, we must, in our trade arrangements with individual countries and regions, consolidate and develop the supply of goods and exports for Hong Kong and Macao, Southeast Asia, and Japan, and we must especially make fullest use of Fujian Province's trade organization in Hong Kong to strengthen local sales in the Hong Kong area, and to consolidate and develop a dominant position for ourselves in supplying the Hong Kong and Macao area. We must also use the base of Hong Kong to do a good job in the entrepot trade to distant places across the seas. We must concurrently further enlarge our export trade with industrially advanced countries in Europe and the Americas, and actively develop exports to Africa, Oceania, and Latin America. We should make a start now to take stock of customers who currently do business in exports from Fujian Province, and use this stock taking as a basis for the selection of suitable people to act as agents for our exports, with special attention being given to full arousal of the positive element provided by patriotic Overseas Chinese merchants, so that their role in the promotion of our exports will be used to full advantage for the gradual establishment after several years of effort of a foreign sales promotion network with wide contacts, strong sales ability, and sensitivity to the market.

Second, we must strive to nurture and train a foreign trade corps that is strong in political ideology, professionally proficient, and has a good work style. Currently, Fujian Province's foreign trade cadre corps is at a low level in policy and professional terms. Cadres who can speak a foreign language are few, and the foreign sales force is weak, far from meeting the needs of the developing situation. During the past several years, as foreign trade has rapidly developed, we have increasingly felt the urgency of diligent solution to this problem. In the future, we must act to train foreign trade experts in two ways. One is to take the initiative in having Xiamen University run specialized courses in foreign trade while at the same time making efforts of our own to operate technical secondary schools for foreign trade, with constant improvements in the quality of education for the planned training of foreign trade experts with both a mastery of international trade knowledge and an understanding of foreign languages. The other way is to give earnest attention to the on-the-job training and rotational assignment of cadres, planning to run short training classes in close combination with the development of actual professional needs, rotational training of mainstay leadership cadres at every echelon of foreign trade units, and the training of all kinds of professional cadres. Continued advocacy should be given to after hours study by working cadres with the running of professional lecture courses, participation in television broadcast universities, and the organization of after hours study groups for the study of policies, vocational work, foreign languages, and administration and management to improve foreign trade policy and vocational levels. There must be further

strengthening and fuller use made of personnel in the front lines of work in foreign sales with planned organization of trips abroad for them to observe foreign trade and promote sales, and for participation in international product exhibition and sales meetings and such activities. Foreign trade personnel should be put into the international market for tempering and for the growth of their abilities through practice.

Third is the hastening of harbor construction with improvements in loading and unloading conditions at piers so as to be able to do a good job in foreign trade transportation work. Presently, Fuzhou and Xiamen are the two ports in Fujian Province that carry foreign exports. Their piers are in poor condition; loading and unloading facilities are antiquated; and they are unable to meet the needs of increasing development of foreign trade. Modernization of the harbors and piers, and strengthening of the foreign trade transportation corps is a necessary condition for the expansion of foreign trade. Given the serious attention of the Provincial CCP Committee and the authorities concerned, a modernization project is being intensively carried out now at Mawei Harbor in Fuzhou and in Dongdu Harbor in Xiamen. Under present conditions, we need both to make full use of the cargo handling capabilities for imports and exports at Fuzhou and Xiamen, and to gradually improve unloading and loading facilities at the piers, improve the levels of mechanization, and promote, with all possible speed, palletized transportation with gradual development toward containerized transport. At the same time it is necessary to make active use of Fujian Province's numerous natural harbors and bays and the favorable circumstances of their proximity to Hong Kong and Macao for the gradual launching in coastal areas of dispatch points supplying export goods to the Hong Kong and Macao area, with shipments from numerous points being organized into an organically linked foreign shipping network of large and small ports in which Fuzhou and Xiamen are at the center. With regard to foreign trade transportation, the number of voyages of freighters now traveling from Fujian to Hong Kong should be increased and, depending on actual needs, consideration should be given increase of scheduled freighters to Singapore, Malaysia, and Japan.

(4) Actively but prudently work at test sites for the reform of foreign trade management systems for the gradual establishment of a highly efficient foreign trade management system.

In the spirit of a series of directives from the Party Central Committee and the State Council on reforms to the foreign trade management system, our province has already begun to institute reforms in the foreign trade system under the direct leadership of the Provincial CCP Committee and the People's Government.

(1) In the spirit of action with prudence, steady progress, centralization of that which should be centralized, dispersal of that which should be dispersed, control without stifling, and relaxation without chaos, and beginning with whatever is helpful to the widespread arousal of the enthusiasm of all quarters for the development of foreign trade, permit each region, each unit, and each enterprise greater opportunities to participate in some foreign trade activities to promote a coming together of production and marketing, and to give impetus to the development of production of commodities for export. It should be stipulated that under the principle of adherence to unified policies, unified planning, unified prices, and unified action abroad, all qualified responsible bureaus at the provincial level should test

operate specialized companies (or import-export companies) that combine industry and trade or agriculture and trade; those areas possessed of ports open for foreign trade should be able to set up port authorities to handle export duties within the scope of their authority. As each becomes capable, it should be given permission. Units not directly involved in export duties should, when they have some commodity or new goods to supply for export, be able to take the initiative for arranging export with the import-export companies or port authority on the basis of the principle of echelon by echelon management of commodities, after having secured the agreement of authorities in charge. Should the port companies or authorities refuse to accept such items, the units should be able to apply for permits from the Provincial Foreign Trade Bureau to make contact abroad for itself.

(2) In the division of labor in the commodity export business, echelon by echelon management and echelon by echelon administration should be instituted on the basis of both that which helps play a positive role in the organization of commodities for export and that which helps the spirit of competition in the international market, while adhering to the principle of the "four unifications." Management responsibilities of provincial foreign trade export-import branch companies, and for combined industry and trade or combined agriculture and trade special export companies: Commodities having to do with the state plan or the people's livelihood that are uniformly rationed goods or limited in quantities for export; staples in the export trade that meet fierce competition in international markets, and strongly monopolistic commodities; and key commodities for which materials were imported for processing. All others to be placed under the management of seacoast port authorities. Commodities for which management responsibility is overlapping to be coordinated and balanced by provincial branch companies through pricing and marketing arrangements. According to current export commodity statistics for Fujian Province, the money derived from provincial branch company and special export company operations amounts to more than 7 percent. We feel that this way of doing things is positively reliable, is both controlled and liberalized, and that no temporary disjointedness that impairs exports can occur as a result of these procedures.

In the launching of foreign processing and assembling work and in medium and small scale compensatory trade, a delegation of jurisdiction is also appropriate with the stipulation that each area and each unit possesses authority to negotiate and sign contracts externally for the importation of materials for processing, and also with the clear stipulation that for some commodities materials may not be accepted for processing in order to avoid impairment to our traditional markets or displacement of our exports. In cases in which medium or small scale compensatory trade may impair our normal exports, the required limits and the limitations on authority requiring approval should also be stipulated.

In the division of foreign exchange from trade, individual policies for rewards and punishments should be adopted that properly concentrate and care for the enthusiasm of those regions, units, and enterprises that created the foreign exchange in accordance with pertinent national regulations and the actual conditions prevailing in the province. Apart from providing for a proportional division of commodities in general, in the case of anything suited for sale abroad for which there is a shortage in supply, or in the case of agricultural sideline native products that fetch a high rate of return in foreign exchange, there should be preferential

proportional division of foreign exchange as encouragement. Export commodities that have incurred high losses merit no division of foreign exchange in order to limit their export.

Reform of the system of foreign trade is intimately related to the entire national economic system. If this task is done well and a highly efficient foreign trade management system is established to meet the circumstances of China, we will still lack experience, and we must, in the course of practice, constantly summarize, enrich, improve, and thereby become more perfect day by day.

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PROS, CONS OF COMPENSATORY TRADE DISCUSSED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 3, Sep 80 pp 37-38

[Article by Chen Xuecheng [7115 1331 2052]: "Tentative Discussion of the Pros and Cons of Compensatory Trade"]

[Text] Despite a not very long history of development, compensatory trade has become a rather pervasive trade form in international trade because of its not inconsiderable advantages for both buyers and sellers.

The advantages of compensatory trade for the buyer are the following:

(1) It can cut down on the use of ready cash to import machinery, equipment, and other needed products, permitting introduction of advanced technology, increased production capabilities, and the development of the economy;

(2) It allows use of foreign marketing channels, thereby guaranteeing quantity marketing of one's own products;

(3) Through indirect product repayment, imports may be used to sustain exports, opening up marketing avenues that combine sales promotion plans, comingling of items for which sales are slack, and expanding the effects;

(4) Resale of goods demands maintenance of quality, maintenance of quantity, and delivery of goods on time. This impels the buyer to master as quickly as possible advanced production techniques, to strengthen management and administration of enterprises, thereby giving impetus to the development of production.

Compensatory trade methods are also somewhat attractive for buyers because:

(1) Even when buyers are short of ready cash, sellers can arrive at a way of doing business with them, with the seller not only not losing a customer but guaranteeing repayment for the goods;

(2) Sellers may accordingly transfer semi-finished goods or finished goods to other countries for production, thereby reducing production costs. This advantage is particularly apparent in the case of products for which production requires high labor intensity. This results from the high cost of labor in occidental countries.

(3) Resales of goods may approximate sales, thereby reducing transportation expenses and increasing profit rates;

(4) Movement abroad of products for manufacture can reduce domestic environmental pollution and lower pollution control expenses.

Nevertheless, compensatory trade is no bed of roses for either buyers or sellers. Because trade conditions are complex, conflicts and disputes between the two parties are very sharp. For example:

(1) The buyer hopes to introduce the most advanced machinery, equipment, and technology, but the seller, in order to maintain his advantageous competitive position, frequently does not desire to turn over to him the most advanced things;

(2) In the selection of currencies, each calculates his personal benefit. The buyer hopes to use soft currency, while the seller wants to use hard currency;

(3) In the use of indirect goods repayment, the buyer desires, insofar as possible, to use goods with slack sales in repayment in order to expand exports, while the seller tries to get hold of goods that have a ready market so that he will be able to dispose of them easily.

(4) The buy back quantity of direct products is also a topic on which both sides stick to their guns. The buyer hopes that the greater the proportion of buy back goods in the total quantity of direct goods the better, while the seller's position is that it would be ideal if all of the goods could be sold locally.

Even though compensatory trade differs from the usual simple in and out transactions, it has the following special characteristics in practice:

(1) In addition to the claims for damages clauses that are usual in trade, compensatory trade also provides for special indemnity clauses. Should the seller be unable to load and transport machinery, equipment or other commodities on time, he must pay to the buyer a from 10 to 15 percent ad valorem indemnity on the total. On the other hand, should the buyer be unable to provide, at a fixed price and on time, compensatory goods of proper quality or quantity, the seller has the right to automatically be relieved of the obligation to buy compensatory goods, thereby turning the original import-export combined compensatory trade into a transaction in which the buyer unilaterally imports machinery, equipment, or other needed goods. Consequently, for the buyer, guaranteed resale of direct product output, the strengthening of administration and management, strict observance of operating procedures, and continuous improvement in technical levels with strict attention to quality controls is an extremely serious business.

(2) During the course of negotiations about the transaction, usually the price of equipment or other goods offered for sale by the seller is the price in the international market at the time, but compensatory direct products can be provided only after the imported equipment has been installed and placed in production, which is frequently several years later; therefore, it is not easy to set a price for it at the time of negotiations. Owing to countless changes in the market and new advances in technology that regularly occur, escalation and replacement of products

is common. Goods that sold well may become goods that sell poorly, and prices constantly change too. Consequently, at the time of negotiations, a price must be set for most products, but this is frequently a sore point.

(3) In the case of direct goods for resale or buy back, there must be clearly defined quality standards and proportions for resale and buy back, so as to avoid subsequent disputes that would make smooth implementation of agreements impossible.

(4) At the present time, in order to protect the products of its own industries, every country adopts a welter of policies that reward exports and limit imports, whereby imports of goods from other countries are faced with more and more quotas. Though quotas have not been set on some items, they are classified as "basket items" for which a specific quantity is set. When that quantity is reached, a quota is unilaterally imposed. In view of this kind of situation, when compensatory trade is under discussion, the buyer must reach some agreement with the seller about the areas to which sales of compensatory goods are to be made, so that the seller will not take up the quota with goods, thereby impairing the market for his own products. Inasmuch as the price of compensatory goods is generally lower than the price of non-compensatory export items, this results in unintentional reduction in foreign exchange earnings. In order to avoid this drawback, as far as the buyer is concerned it is best to select compensatory goods for which there are no quotas or, if there are quotas on the goods, to select items in demand that the buyer cannot alone fulfill.

China is a country with abundant labor resources, a vast territory, and a vast array of goods wherein superior conditions exist for the launching of compensatory trade. But when China began to undertake this kind of trade a scant 2 years ago, there was a feeling of insufficient knowledge, both theoretical and practical. This required that we conscientiously summarize both negative and positive experiences and study actual cases abroad so as to be able to learn how to avoid harm and reap benefits.

During the past 2 years, in the process of launching compensatory trade at Shanghai ports, some problems cropped up that I know about. Here are only two examples.

Some units failed to make the necessary investigation and study of a customer's credit position, fell for the customer's sweet talk, and signed a goldfish compensatory trade agreement with him and set about at once to build fish tanks. The other party was a petty functionary with no real standing, so not a cent of funds was paid and the agreement became a dead letter.

In one case involving a combination of compensatory trade and processing, the agreement stipulated that any products of identical specifications that we might manufacture could not be marketed in the jurisdiction of the other party. As a result, the customer got all the benefits and we were forced to withdraw from the market. In reality, the kind of product involved was an extremely common one, which we were quite capable of producing and marketing ourselves and for which there was no necessity that we sign an agreement that bound us hand and foot. In the process of executing this transaction, the imported raw materials for the first

batch of goods was supplied for the customer by us in an interim arrangement, but as of the time we delivered the goods, the raw materials and equipment promised by the other party had not yet arrived.

In order to do a better job in compensatory trade, the writer feels that the following points merit attention.

When entering into compensatory trade, as with trade of any kind, knowledge of the customer's credit is necessary. There can be no rushing into precipitate action or falling for the exaggerations of some customers.

The goal of socialist production is to increase the standard of living of the people and to satisfy the constantly growing needs of the broad masses of the people. Granted that the production of final products is very important, nevertheless the production of intermediate products cannot be overlooked. Compensatory trade should not be used purely for the introduction of machinery and equipment to produce common consumption goods, rather effort should be placed on the development of facilities of a scientific and technical nature, as for example the production of electronic equipment, or the production of prospecting and smelting equipment. Progress in this realm seems to be currently very small.

The main reason occidental countries want to accept compensatory trade is to promote the sale of their excess production and to replace their equipment so as to be able to maintain their competitive dominance. They are not really able to provide the most advanced and most up to date machinery and equipment. Nevertheless, we should intensify investigation and study to plomb the various circumstances of products concerned, and work at introduction of the advanced equipment that suits our country's needs.

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TECHNOLOGICAL REFORM OF HIGHWAYS URGED

Beijing GONGLU [HIGHWAYS] in Chinese No 3, 25 Mar 80 pp 2-5

[Article by the Highway Bureau of the Ministry of Communications: "Hasten Reform of Highway Technology; Adapt to the Needs of Construction for the Four Modernizations"]

[Text] Technological reform of existing highways and continual increase of their capability to handle travel are important constituent parts of digging for potential, renovation and reformation of highway transportation. They are forceful measures to change the backwardness of highways to adapt to the needs of construction for the four modernizations. Over the past decade or so, as highway transportation and production developed, and as the traffic departments of each locality actively constructed new highways and as existing highways are continuously being improved, over a dozen thousand kilometers of roads have been improved and covered with asphalt and over two million meters of bridges have been rebuilt, travelling has been facilitated, the efficiency of transportation has been increased, great achievements have been realized, and a lot of experience has been accumulated. Analysis of the information of each locality shows that after roads have been improved and have been covered by asphalt, the production of automobile tonnage increased by about 30 percent, travelling speed increased by 30 to 50 percent, the mileage between major road building projects extended by about 30 percent, mileage travelled on wheels extended about 40 percent, fuel consumption dropped 15 to 20 percent. Transportation costs dropped 15 to 40 percent, and highway maintenance costs could also be greatly reduced compared to that for the original sandy and rocky road surfaces. It can thus be seen that the economic results of rebuilding original highways are very visible.

But, for many reasons, our strides in highway rebuilding have not been large enough. Up to today, still about 50 percent of highways are not up to the standards of highway technology. Twenty-seven percent of the roads are still unpaved dirt roads. There are over 700 places where bridges are needed. There are over 100,000 meters of dangerous bridge crossings that urgently require rebuilding. In particular, the points of entry into and departure from some large and medium sized cities and major highways that lead to important ports, railway centers and industrial and mining bases already have several times the amount of traffic over the original design capacities. There are many cars but the roads are narrow, with the addition of mixed traffic, traffic jams frequently occur, and the number of traffic incidents increases day after day. This situation not only

affects the flow of transportation by railroad and by water but also creates many unnecessary difficulties for industrial and agricultural production and the people's livelihood. This is also unfavorable to the development of war preparedness and tourism. Therefore, hastening the technological reform of highways to adapt to the needs of the four modernizations is an important task of our highway and communications departments during the coming period and it must be grasped tightly and well.

I. The Principles of the Policy for Technological Reform of Highways and the Demands of the Task

In his report to the Fifth People's Congress Chairman Hua called upon the people to "exert efforts in rebuilding the existing highways while actively building new highways." This signifies that our nation's highway construction has entered into a new stage of popularization and improvement. The key in improvement is the main highways, especially entry and exit points to and from large and medium sized cities. The key project in popularization is the building of county and commune roads in mountain regions, border defense roads and unconnected roads and connecting roads.

To hasten the rebuilding of existing highways, ideology must be liberated, truth must be sought from facts, science must be respected, practical results must be gained, foreign nations' advanced experiences must be learned from the point of view of our nation's particular situation and the characteristics of highway communication, the policy of relying on the masses, relying on the localities, combining war time and peace time efforts, joining together popularization and improvement of roads together, and the principles of suiting measures to local circumstances must all be insisted upon, materials should be sought within the localities, improvements should be carried out in stages and the roads should be gradually improved. Specialized teams should be organized, the masses should be initiated, road construction carried out by the local people and subsidized by the state should be combined, and the investment for basic construction, road maintenance funds and capital appropriated by one's own efforts (including agricultural surtax) should be combined.

Under the guidance of unified plans of the Party Central Committee, the overall demands of the plans to be implemented in stages according to the degrees of importance of the projects combining the actual situations of each province, city and autonomous region are as follows: Within 2 to 3 years, all state highways of large and medium sized cities above the state capital level and state highways entering or leaving important ports and industrial and mining bases should be rebuilt according to the standards for first and second class highways. Before 1985, 25,000 kilometers of state highways should be rebuilt according to the standards above third class roads, including 10,000 kilometers of first and second class highways. Bridges should be built across some important crossings. Before 1990, most of the network of state highways should be rebuilt into first, second and third class highways, basically achieving asphalted road surfaces (except for individual roads with a small amount of traffic), the width and the load capacities of bridges should correspond to the standards for highways, drainage system, maintenance and protective work and safety measures should be perfected. The distribution of road maintenance workshops and maintenance squads should be reasonable and should be organized for the entire highway system. On roads where

transportation is especially heavy, all efforts should be made to set up automatically controlled signals.

Before 1985, over half of the provincial roads should be rebuilt to meet the second and third class highway standards. Before 1990, most of these roads should meet the second and third class highway standards. On roads where transportation is very heavy, the heavily travelled sections should be rebuilt according to first class highway standards and the quality should reach or approach that of the quality standards of the state highway network.

County and commune roads should be gradually improved to meet the third and fourth class highway standards according to need and feasibility.

II. Drawing Up Plans and Arranging the Plans

Highway reform must have a plan that is practical. The amount of transportation and traffic for the next 15 to 20 years should be calculated according to short term and long term plans of the development of industrial and agricultural production. The present situation of highway traffic should also be included for overall analysis and study. Consideration must be given to objective need and practicality so that a plan for the overall readjustment, improvement and elevation of the standards can be proposed for the distribution of the presently existing highway network, and standards for the types of road foundations, road surfaces, structures and various installations. Efforts should be made towards achieving a rational plan, appropriate standards, full installations, and perfect conditions.

The plan for the rebuilding of state highways should be drawn up by the Ministry of Communications. The plan should be critically reviewed and adjusted according to the opinions solicited from each province, city, autonomous region and concerned departments of the Party Central Committee. The plans for the rebuilding of provincial highways should be drawn up by the communications departments of each province, city and autonomous region. The plans should be reviewed and approved by the people's governments of the province, the city and the autonomous region after soliciting the opinions of concerned departments within the province, each locality and county, and they should also be submitted to the Ministry of Communications for review and be placed on record. Plans for the rebuilding of county and commune highways should be drawn up by the counties, and approved by the bureaus of communications of the province, the city and the autonomous region.

Planning and arrangement of the rebuilding projects should be based on actual need and feasibility. Their degrees of importance should be determined for establishing priorities so that the trunk lines are rebuilt first and then the branch lines, the easy projects are done first and then the difficult projects, and rebuilding should be done section by section and highway by highway. Forces should be centralized so that results can be obtained as soon as possible. The actual projects of rebuilding the state highways should be proposed by the Ministry of Communications according to the national need and in combination with the actual situation of each province and each province should be consulted. These projects could also be proposed by the communications departments of each province according to the needs within the province and submitted to the Ministry of Communications. The projects will then be determined after being approved by the Ministry of

Communications. Rebuilding projects of provincial roads and county and commune highways should be proposed by the highway and communications departments of each province, locality and county. The proposals should be presented for consideration until there is agreement and then they should be submitted to the higher authorities for review and approval and be included in the annual plans for implementation.

III. Technological Standards and Design and Planning

1. The selective use of technological standards for road building should be based upon the principle of combining short and long term situations and rebuilding in stages. In general, the amount of traffic for the next 15 to 20 years should be used as the basis for future projections and these should be combined with the amount of traffic flow, investment and the possible materials of the near future for a rational selection. The standards should be established according to the amount of traffic flow of each section of the highway, and they should not be uniformly established. Road segments that have an annual average traffic flow of over 5,000 vehicle/trips should be surveyed, designed and constructed according to the standards for first class highways. Road segments that have an annual average traffic flow of over 2,000 vehicle/trips should be surveyed and designed as first class highways, when necessary, as parallel north-south type roads, but construction can follow standards for second class roads or above. Land to be used as highways should be prepared according to the standards for first class highways to solve all problems at once, signposts for borders should be set up. Land not immediately used to build roads can be used for greening, cultivation of seedlings and temporarily used for planting by communes and brigades. The standards for rebuilding other state and provincial roads should generally not be lower than third class. Road segments of county and commune highways which are heavily travelled should be rebuilt according to second and third class standards and the rest should be rebuilt according to fourth class standards.

2. The following design and planning can be used for rebuilding road segments having an especially heavy traffic flow: (1) Disperse the flow of traffic, i.e., increase the number of roads entering and exiting cities. (2) Separate the direction of traffic, i.e., widen the foundation and surface of roads, set up a divider in the center of the road, build divided highways. (3) Build parallel roads, i.e., build a parallel road near presently existing roads. (4) Add auxiliary roads, i.e., build auxiliary roads for slow moving vehicles or non-motorized vehicles in addition to presently existing highways. The cross sectional surface of roads can be designed as two pieces, three pieces or four pieces. The form to be used should be selected from technological and economic comparisons.

Width of the road surface and foundation of second and third class highways generally should follow the regulations of the "standards of highway engineering and technology." But road segments in the suburbs of large and medium cities and other places where traffic is heavy can be appropriately widened. In regions where there are many people and a scarcity of land, stone banks along roads, covering the edges of roads with stones, fully paved road surfaces, hardening or asphalting the road shoulders are all methods to widen the foundation of the roads.

3. When building new types of roads and rebuilding the types of roads for highways, technological standards and regulations should be followed. Smoothness

and far sightedness should be emphasized. Repeated changes of the types of roads should never be done. At the same time, old roads should be reasonably utilized under the prerequisite that the technological standards of the roads and highway can be assured. Attention should be paid to conserving the use of land, reduce the amount of construction, and reduce the cost of construction.

4. Design and planning for rebuilding road surfaces should be based on actual objective need, combining the future and the near future requirements and they should be determined after comprehensive consideration. They must fully utilize various industrial wastes. In regions lacking sand and stones, dirt and soil can serve as the bottom layer for roads. New road surfaces of state and provincial roads should be designed according to the future amount of flow of traffic over the next 15 to 20 years to make sure that the bottom layer of road surfaces has enough hardness. The surface layer should mainly be of high grade or high subgrade materials. In regions where sand and stones are abundant, and even if the flow of traffic is light, medium grade road surfaces can be build first. County and commune highways should have mainly medium grade road surfaces. In regions where sand and stones are lacking, and on county roads that are heavily used for transportation, the road surfaces can be asphalted when conditions permit.

Rebuilding of the original high subgrade road surfaces should be profoundly investigated and studied. The demands of the long term future must be taken into consideration and the original road surfaces should be utilized as must as possible. Generally, road segments that have relatively good road surfaces and that require only widening and improvement of the travel capabilities should be rebuilt with a bottom layer of equal strength as the original bottom layer of the road surface. Road segments with a divided road zone for divided roads should be designed according to the different demands of the different lanes as to the thickness of the road surfaces.

5. Design and planning for new or rebuilt bridges and culverts should be rationally selected and determined as to the type of structure and the diameter of the arches. They must all be selected mainly according to economic cost and applicability, and appropriate consideration should be given to appearance. There must be sufficient assurance of the capability to resist flooding. The load bearing standards should be the higher standards among the stipulated classifications for roads. Large bridges, especially with a span of over 25 meters, generally should use qi-20 qua-100 standard to reduce the difficulty of reinforcements in the future. Road segments frequently travelled by heavy vehicles should be calculated for the travel of such heavy vehicles. The width of bridges and culverts generally should be built according to standard. Separated upper structures of bridges can be constructed for highways with divided lanes for vehicles.

Rebuilding of highways should be carried out simultaneously with the rebuilding of bridges and culverts. Bridges and culverts that are in critical condition and dangerous should be rebuilt first. Narrow bridges and short culverts should be widened and lengthened. At crossings and road surfaces that cross water, bridges should be actively built. Bridges with insufficient load bearing capabilities should be reinforced.

6. Design and planning for highway intersections. Intersections of state highways and provincial highways and railroad trunk lines should be gradually

rebuilt into overpasses or split level intersections. Intersections of trunk highway lines generally can use traffic circles at level intersections but where the traffic flow is heavy, they should be actively rebuilt into split level intersections. The intersections of highways and farm village roads have a large traffic flow and cover a wide area. These are the major threats to safety and they affect travelling speed. On state and provincial roads, bridges and culverts which have already been built or are about to be built should be utilized as much as possible. The diameter of the arches of the bridges and culverts should be appropriately increased, and the clearance should be increased and necessary measures should be taken to reduce the need for pedestrians, livestock and non-motorized vehicles to cross highways on the same level as the highways. If it is necessary for them to cross highways, there must be sufficient distance for a clear view to assure safety.

7. Design and planning for the greening of highways. Road segments of all classes of roads suitable for planting trees should be planted with trees according to the regulations concerning forestation and tree planting issued by the state and the demands of the technology for road maintenance. All trees on the shoulders of roads and not adhering to the regulations, all trees on the inside of road bends and near bridge heads and bushes and low trees near railroad crossings should all be cleared away. Greening of divided zones and divided roadways should be with low trees. Different types of suitable trees should be planted at a certain distance in rows along highways.

IV. Construction Method and Quality Demands

Highway rebuilding is a difficult task that is massive, widespread, urgent and which requires a long time to carry out. To hasten the progress of highway rebuilding so that it will produce results as soon as possible, the active factors of all sectors must be fully mobilized and all appropriate construction methods should be used. Many provinces and autonomous regions have organized road teams and launched the "several ones" actively (level one precipitous slope each year, straighten one sharp turn, build one kilometer of standard road segment). Gansu and Shaanxi provinces organized forces for the entire segment or the entire total segment to rebuild old roads, Heilongjiang, Hunan and Hebei provinces relied on the localities and contracted counties to rebuild highways, Liaoning, Shandong, Beijing and Chejiang provinces and city centralized their forces to elevate the class of highways section by section and highway by highway. All of these experiences have been very successful and should be popularized. To assure engineering quality, hasten progress and reduce construction costs, the provincial and local highway departments have established specialized teams as the backbone for construction. This is an effective measure and they should be actively equipped and developed according to need and feasibility.

Construction for the rebuilding of highways must insist on having as principles a long range plan and quality comes first. Inspection and receiving of materials must be strict, construction and operation procedures must be strict, intermediate inspection must be strict, final inspection of the completed projects must be strict. A technical responsibility system must be established and made sound. The highway departments of each province should establish a chief engineer or persons who are technically responsible. Highway departments of each county and each work site should have definite personnel who are technically in charge. Technical

cadres must have duties, authority and responsibility. Those who work to assure quality and who complete their tasks with greater, faster, better and more economical results should be praised and rewarded. Incidents involving quality must be thoroughly investigated regarding responsiblity. Careless work and the occurrences of breaking down immediately after repairing should be eliminated. High grade road surfaces that are newly built or being rebuilt should be the result of the technological efforts of the three aspects of scientific research, design and construction. Through experiments and research, efforts should be made so that major repairs will not be needed for 15 years after construction.

V. Capital and Materials for Rebuilding Highways

At present, the state invests little in highway construction. Hastening the rebuilding of highways must be self reliant, and the funds for road maintenance should be fully utilized. Each province, city and autonomous region must take effective measures to collect, manage and use road maintenance funds well. They must insist on using roads and maintaining roads, and using specific funds for that specific purpose. Funds for rebuilding highways should be arranged according to plan and actively under the prerequisite of meeting the expenditures for regular maintenance of highways, major and medium repairs and repairs after damage by floods and other necessary expenses. Funds for rebuilding of highways at present generally should constitute about 30 percent of the funds collected as road maintenance funds. As the income for such purposes increase, the proportion of the funds earmarked for reconstruction should be gradually increased to supplement the deficiency in investments for basic construction by the state. National defense trunk lines in border regions where construction is difficult and where individual road maintenance funds are few and construction of especially large bridges must be included in the plans for investment in basic construction of the provinces, cities and autonomous regions and national defense highways, or the funds should be appropriately subsidized by the state.

The three major materials needed in rebuilding highways should be actively solved under the principle of developing the two enthusiasms. Materials needed for the rebuilding of state and provincial roads should be included in the plans of the provincial, city and autonomous region planning committees for arrangement and supply in accordance with the regulations stipulated in the joint announcement of the State Planning Commission, Ministry of Communications, Ministry of Finance, the Chinese Poeple's Bank and Document 158 (1978) issued by the State Council. Materials needed for the rebuilding of county and commune highways should be arranged and solved by piece materials of the localities and counties.

The rationing of asphalt and residual oil must adhere to the principles of providing for maintenance and repair first and rebuilding last, main lines first and branch roads last, early old roads first and recent new roads last because of the present deficiency of resources. Each locality should first maintain the conditions of early asphalt roads well to satisfy the needs for maintaining existing asphalt roads. Then, unconnected asphalt roads that serve major trunk lines should be connected, then the road surfaces of busy road segments should be repaved to fully utilize the limited resources. Materials for repairing old asphalt roads should be fully utilized. At the same time, all measures should be actively taken to import more asphalt for roads to solve the need for repairing and building high grade road surfaces.

In addition, strengthening maintenance of existing highways and highway administration is an effective measure to firmly establish the results of highway rebuilding and to assure smooth and safe traffic flow, this must be grasped well.

At present, our nation is intensifying socialist construction. To realize decisive achievements in the construction of the four modernizations in the 1980's, we must conscientiously implement the eight point policy for adjusting the national economy under the leadership of the Party Central Committee, hasten the technological rebuilding of presently existing highways and become the vanguards for building the "four modernizations"!

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REBUILDING TRUNK LINE HIGHWAYS IN SHANDONG PLANNED

Beijing GONGLU [HIGHWAYS] in Chinese No 3, 25 Mar 80 pp 6-9

[Article by the Department of Highways of the Shandong Provincial Communications Bureau: "Preliminary Summary of Technological Rebuilding of Trunk Line Highways in Shandong Province"]

[Text] I. Necessity and Urgency of Rebuilding Old Roads

Shandong is situated in the lower reaches of the Huang He and on the coast of the Yellow Sea and Bohai. It has an area of over 150,000 square kilometers with a population of over 73 million. Because the province has relatively few railroads, conditions for navigation in inland waterways are poor, inland transportation has relied mainly on highways for a long time. At the beginning of the founding of the nation, highway transportation of goods constituted 30.4 percent of the total goods transported within the province. In 1977, this reached 71.1 percent (not including the amount of goods transported socially and not statistically included by the amount of goods transported socially and not statistically included by the communications departments). This shows highways and highway transportation occupy a very important position in our province's national economy.

For the past 30 years, the rapid development of highway transportation has increased the burden of highways and the burden has become heavier and heavier. The number of automobiles for civilian use throughout the province increased by more than 27 times during the past 30 years. Up to 1978, it has increased to 76,801 vehicles. Also, since 1970, the number of farm tractors has greatly increased. Up to 1978, there were already 140,572 units, nearly double the number of automobiles. The number of motorized vehicles per kilometer of highway throughout the province averaged 0.5 units in 1965. Up to 1978, this has increased to 7 units, an increase of 13 times. The amount of goods transported by highways and the traffic flow throughout the province similarly increased greatly. Highway transportation in 1978 was over three times that of 1965. The highway mileage with a daily traffic flow of over 50 motorized vehicles in 1965 was only 31 kilometers (based on surveys of 9588 kilometers). In 1978, this had reached 4,960 kilometers (based on surveys of 10,091 kilometers). This shows the development of traffic and transportation has created higher and higher demands for highways.

But Shandong's highways have a very weak and poor foundation. At the beginning of the founding of the nation, there were only 3,152 kilometers of highways that could barely be travelled. There were only 65 kilometers of all-weather roads. Bridges

were lacking. Although our province's highways have developed, the increase in the flow of traffic on highways has made the low standards of the highways even more serious. At the end of 1965, the highways opened to traffic throughout the province totalled 22,166 kilometers, 43 percent of which were not up to the standards of the appropriate class of roads. Only 25 percent were all-weather roads. Less than 1 percent of the highway surfaces were covered by asphalt. Of the 5,259.9 kilometers of highway trunk lines, highways above the third class standards constituted only 64 percent, all-weather highways constituted only 68 percent, asphalt covered highway surfaces constituted only 3.6 percent. There were 19,500 meters which required bridges yet to be built. This situation is extremely out of tune with the demands of the development of traffic and transportation.

The position of highway transportation, the rapid development of highway communication and transportation, the low standards of technology of the highways clearly show the urgency and the necessity of technological rebuilding of highways.

II. Rebuilding Old Roads

Our province began in 1966 to technologically rebuild old roads according to plan, step by step and at key points. Up to 1978, emphasis has been on the work of the following three aspects:

1. Rebuilding the road type and improving the class of roads. Because over 85 percent of the original highways were of third class standard or below, the foundation was too narrow, the road type was too poor, the capacity for travel was low, thus transportation efficiency and travel safety were affected. Therefore we first concentrated forces in rebuilding the road type, widening the foundation and elevating the technological standard of the roads. In implementation, the foundations of all road types that basically satisfied the demands were mostly widened during maintenance and seasonal repairs by county road maintenance stations, road crews and maintenance groups and some road building and logistics works. The roads were partially straightened and their slopes reduced. A total of 5,075 kilometers of such highways were rebuilt. Roads with a poor road type (including substandard roads) were included in the plans for rebuilding for major repairs and for partial or major route changes. Entire segments were rebuilt according to technological standards. A total of 3,911 kilometers of such roads were rebuilt. Of these, 63.8 kilometers reached the first class road standards, 1985 kilometers reached the second class road standards and 1,669 kilometers reached the third class road standards.

2. Building additional bridges and culverts, rebuilding wooden bridges and dangerous bridges. Two methods were used in the building (rebuilding) of new bridges and culverts on trunk line highways: The first method involved the building of new or rebuilding of small individual bridges and culverts. These were all included in the plans of major repairs of each road segment. The road crews of each segment arranged for the repairs and building of these bridges by themselves. According to incomplete statistics, a total of 790 bridges spanning 20,259 meters were newly (rebuilt) built, and 5,105 culverts were built. The second method involved the building of new or rebuilding of bridges on entire road segments and independent large and medium bridges. These were uniformly included in the building of new or rebuilding of bridges on entire road segments and independent large and medium bridges. These were uniformly included in the rebuilding and construction plans of

the province. Each locality arranged for the design and construction. A total of 859 bridges spanning 36,407 meters were newly (rebuilt) built, and 7,316 culverts were built. Up to 1978, all wooden bridges (including bridges with wooden surfaces) on the trunk line highways have all basically been completely rebuilt.

3. Paving road surfaces and exerting efforts to increase the mileage of all-weather roads. Throughout the province, a total of 5,255 kilometers of dirt roads of trunk line highways were improved, 2,294 kilometers of road surfaces were paved with gravel material, 8,943 kilometers of road surface were paved with asphalt. On the average, 580 kilometers of road surfaces were paved with gravel material (including improvement of dirt roads) and 690 kilometers of road surface were paved with asphalt.

Through the work in the three aspects above, the technological conditions of our province's trunk line highways were greatly improved. A comparison of 1978 and 1965 shows that the mileage of the trunk line highways increased from 5,259 kilometers to 14,048 kilometers, an increase of 167 percent. The mileage of all weather roads increased from 3,575 kilometers to 13,199 kilometers, an increase of 269.2 percent. Asphalt road surfaces increased from 187 kilometers to 9,130 kilometers. The number of bridges increased from 1,306 spanning 33,108 meters to 3,425 spanning 143,375 meters. Of these, the number of large bridges increased from 38 to 301. Highways of second class or above increased from 666 kilometers to 2,569 kilometers. Third class highways increased from 2,710 kilometers to 10,513 kilometers. As of the end of 1978, the mileage of all-weather trunk line highways constituted 93 percent of the total mileage, asphalt surface roads constituted 64 percent, permanent bridges constituted 99.7 percent of the total number of bridges. Highways of third class or above constituted 93 percent, the mileage lined by forestation constituted 88 percent.

III. Economic Results

Improvement of the technological situation of highways has begun to produce relatively visible economic results in the efficiency of transportation, in the conservation of tires, accessories and fuel, and in the conservation of work and materials used for road maintenance.

The avrious indicators compiled by the state-operated transportation enterprises throughout the province for the years 1977 and 1965 are compared in the following:

	1965	1977	
Monthly production of vehicle tonnage (ton kilometer)	4883	6217	+27.3%
Mileage travelled on wheels (10,000 kilometers)	9.8	15.0	+53 %
Mileage between major repairs (10,000 kilometers)	13.2	18.5	+40 %
Repair costs (yuan/1000 ton kilometer)	35.33	17.04	-51.6%

Transportation cost (yuan/1000 ton kilometer)	140.48	109.45	-22.1%
Profit submitted (10,000 yuan)	4764	11,880	+149 %
Average profit per vehicle (10,000 yuan)	1.4	1.8	+30 %

The improvement of the above economic indicators for transportation of course is closely related to the improvement in the operation and management of the enterprises, but they also have a definite relationship with the technological condition of highways. This is more obvious in the following two examples.

According to the analysis of the statistics of the state-run vehicle transportation enterprises throughout the province:

1. In 1963, the total number of vehicle-days was 699,500, the number of vehicle-days not in operation totalled 57,500, or 8.2 percent. Of these, 5 percent were due to rain. In 1978, the total number of vehicle-days was 1,858,000, the number of vehicle-days not in operation was 40,800, or 2.2 percent. Of these, 0.4 to 0.5 percent were due to rain (classical survey numbers). The reduction of vehicle-days not in operation due to rain is a direct result of the increase in the mileage of all-weather highways.

2. Yantai Vehicle Transportation Company is an enterprise with a relatively high standard of management in our province. In 1965, the average mileage travelled was 108,000 kilometers, higher than that of Huimin (98,000), Dezhou (93,000), Liaocheng (97,000), Heze (106,000) companies, but by 1978, the mileage travelled on wheels by the Yantai Company averaged 129,000 kilometers, less than that of Huimin (215,000), Dezhou (183,000), Liaocheng (171,000) and Heze (167,000). We believe the main reason was that in the Yantai area, paved asphalt roads constituted only 19.4 percent while the paved asphalt roads in Huimin, Dezhou, Liaocheng and Heze regions constituted over 50 percent. The trunk line roads in these four regions have all basically been paved by asphalt. The wear on the tires on paved asphalt roads is much less than sand and gravel road surfaces.

Improvement of the technological conditions of highways, especially when the road surface has been paved with asphalt (oil residue), also causes the cost of maintenance to drop by a greater extent. It can be seen from the estimated budgets for small repairs and maintenance of highways per year-kilometer established by our province that the annual kilometer cost can be reduced by 15 to 40 percent. Over 40 percent of the work can be saved and more savings can be realized in sand and gravel materials (see the following table).

IV. Outstanding Problems of the Present Trunk Line Highways and the Task of Rebuilding Highways That Confronts Us

Although the technological conditions of our province's trunk line highways have improved, because the original foundation was too weak and poor, the present highway situation cannot adapt to the present needs of the development of transportation. The major problems are as follows:

Economic Quotas For Minor Repairs and Maintenance Per Year Per Kilometer of Highways

Typography	Daily average	Road surface types	Cost (yuan)	Work (work days)	Sand and gravel material (cubic meters)	Clay (cubic meters)	Asphalt (tons)
Hilly	301 - 500 Vehicles	Sand and gravel surface	925	505	115	72	-
		Asphalt surface	797	314	9	-	0.6
Region	Over 501 Vehicles	Sand and gravel surface	1,254	806	140	80	-
		Asphalt surface	981	388	13	-	0.9
Plains	301 - 500 Vehicles	Sand and gravel surface	1,924	505	80	72	-
		Asphalt surface	1,064	314	9	-	0.6
	Over 501 Vehicles	Sand and gravel surface	-	-	Not determined	-	-
		Asphalt surface	1,366	388	13	-	0.9

1. Highways are few, the standards are low, there are many disconnected roads. There are 34,244 kilometers of highways in our province, there are only 0.22 kilometers of roads in each square kilometer, the density is low, and the trunk line highways constitute less than half the total, and the number of roads are fewer. The entire province has 121 counties (cities, wards), and there are 59 disconnected highways above the county's jurisdiction. Of the 123 trunk line highways throughout the province, there are still five that are not entirely open. There are 34 roads that still have seriously weak links. Of these, there are 601 localities where the slope is greater than 8 percent and there are 123 localities where the sharp turns are less than 15 meters in radius. Most of the trunk line highways are of the third class standard, there are some below the third class standard. As the flow of traffic increases day by day, in mixed traffic, with a low standard of road types and narrow road surfaces, the situation seems more serious. The load standard of bridges is low, the clearance is insufficient, and all these affect travel capacity.

2. The problem of asphalt roads. Of the asphalt roads throughout the province at present, 3,679 kilometers were built before 1970. Of these, 3,131 kilometers are trunk line highways. Because the standard for highways was low at the time they were built, there are about 2,600 kilometers of highways with an asphalt surface thickness of 1.5 centimeters and a width within 6 meters. These highways are mostly major trunk lines with a large flow of traffic. The present flow of traffic averages 1,000 to 2,000 vehicle-trips and they have been used at least 10 to 15 years. Damage and wear are very serious. They must be gradually repaired and rebuilt. Calculating on rebuilding 600 kilometers a year, over 5 years are required. Roads with asphalt pavements built between 1971 and 1975 amount to 4,000 kilometers and the standards are similarly very low and these also need to be repaired and rebuilt gradually.

According to the existing problems mentioned above, the task of rebuilding our province's highways confronting us is very difficult.

V. Several Realizations in the Rebuilding of Highways

Through 13 years of practice and with both positive and negative experience behind us, we realize:

1. Technological rebuilding of trunk line highways is a long term and difficult task. It is an important measure in digging for the potential, renovation and reform of highway transportation. It will be the key work for a fairly long time into the future. It is also an important way to realize modernization of highways. It requires us to exert a lot of effort to study the objective patterns of rebuilding old roads and objective patterns must be insisted upon in doing the work.

2. To hasten rebuilding of the trunk line highways, work must begin from the actual situation and the work on trunk line highways must be arranged in order, and a feasible and practical long term plan must be drawn up and goals must be clearly defined. The roundabout way of doing things must be avoided and conditions should be created to facilitate guiding the localities and the counties to actively exert efforts towards realization of this goal.

3. Insist upon the policy of self reliance and struggle through hardships. One must insist upon relying on the localities, relying on the masses and fully develop the two enthusiasms. Efforts should be concentrated to manage well and utilize well road maintenance funds. Planning for the rebuilding of highways should be based on one's own strength and only in this way can the goals be realized.

4. The relationship between maintenance and rebuilding should be handled well so that unification and preparation can both be taken into consideration and stimulate each other. We believe maintenance will always be the center of highway work. Only by maintaining well the existing highways can the practical demands for transportation be satisfied, and the useful life of existing highways be prolonged. At the same time, forces can be centralized to carry out rebuilding of highways. Funds for maintenance must first be satisfied and must be carefully accounted for to realize actual and practical results and to prevent waste before more funds can be amassed for rebuilding of highways. The work of rebuilding highways must be grasped well, planned projects must be suitable, design and planning must be economical and rational, the quality of construction must be assured, the detrimental side effects of construction must be reduced and efforts must be exerted to eliminate them to reduce the burden of maintenance. The relationship between the two are complimentary and neither should be neglected.

5. In rebuilding highways, the policy of concentrating all forces to win the battle must be implemented. Rebuilding must be done according to plans and line by line and segment by segment as key points. Overly scattered work must be avoided.

VI. Several Problems Concerning Technological Policy and Technological Standards Which Have to be Solved

1. How can the planned periods be correctly grasped? Whether the standard for rebuilding of highways should be based on the demands of short term (5 years), medium term (ten years) or long term (20 years) development, how can these planned periods be combined? How can the first class highways and expressways be combined?

2. In planning the cross section of highways and at road segments of mixed traffic, how should the roads be classified, under what conditions should the one-piece construction method, the two-piece construction method, the three-piece construction method or the four-piece construction method be used?

3. In rebuilding old roads, is it better to rebuild old roads or is it better to open new roads, how can the presently available installations be fully utilized and grasped, and how can traffic during the period of rebuilding be maintained well?

4. How should the bridges of various structural types be fortified or reinforced to increase the load bearing standard?

5. Which principles should be followed in the planning of state and provincial roads, which methods should be used so that the enthusiasm of the localities and counties can be more easily mobilized?

(This article was edited and condensed by the staff of this magazine--editor)
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INCREASING HIGHWAY BUILDING SAID ESSENTIAL TO ECONOMIC DEVELOPMENT

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[Article by Liu Chengxian [0491 2110 0341]: "Several Opinions Concerning Strengthening of Highway Construction"]

[Text] Transportation is the artery of the national economy. Highways are the important components of the nation's transportation network. They are belts that tie cities and villages and production and consumption together. Highway transportation, compared to railroad transportation, is more convenient and more versatile. It can "deliver the goods to the door and pick up goods from the home." It can realize direct transport "from door to door." It can also collect and distribute goods transported via other types of transportation such as by air, by rail and by water. It not only is a transportation force indispensible in economic construction, it is at the same time the major form of transportation during time of war. Therefore, highway transportation serves importantly in consolidating national defense, developing the economy, building up of the border regions, promoting unity among the peoples of each nationality and promoting cultural exchange. Highway construction is not only a technological problem and an economic problem it is also more importantly a social problem. In old China, highway communication was extremely backward. After Liberation and after 30 years of construction, our nation's highway communication has changed greatly. The mileage of highways open to traffic throughout the nation at present has already reached over 900,000 kilometers. The percentage of paved road surfaces has reached 73 percent, over 90 percent of the people's communes can now be reached by car, and a highway communication and transportation network centered around each city has been preliminarily established. As highway construction develops, construction of highway bridges also develops rapidly. At present, our nation already has highway bridges spanning over 3 million meters, of these 93 percent are permanent bridges. We have already built 100 permanent highway bridges spanning the famous rivers of the Changjain, Huanghe, Zhujiang and Songhuajiang. In their architectural scale, design and construction technology, there was nothing that could be compared with them before Liberation.

Since the founding of the nation, our nation's highway construction has realized great achievements, but compared to the world's advanced nations, and even compared to some Third World nations, it is still very backward, and it still cannot adapt to the needs of the development of our nation's national economy. The reason is that in the current state plans and management system, highway

communication has not yet been placed in the "priority" position which it should be. At present, highway communication's planning is placed with the 19 non-industrial departments such as culture, education and public health. Thus channels for the investment, machinery equipment and material supplies required by highway construction could not be appropriately arranged. And with the many changes in the highway system and confused management, the development of highway construction was seriously affected.

At present, the backward situation of our nation's highways is manifested mainly by the following aspects:

In number, although the mileage of roads opened to traffic has already reached over 900,000 kilometers, it is still behind India. Highway density (the mileage of highways per 1,000 square kilometers) is less than one-seventh that of the United States. At present, there are still two counties and nearly 5,000 communes in our nation that are inaccessible by highways. There are also many unconnected roads between provinces (regions). The rapidity of building bridges is far from satisfying the need. At present, there are nearly 6,000 dangerous bridges throughout the nation that need to be rebuilt and there are over 700 crossings that need to be spanned by bridges.

In quality, the technological standard is low overall, the quality is poor, many of the existing highways are not up to classification standards, and most are third and fourth class roads. Throughout the entire nation there are only several thousand kilometers of first and second class highways, and there are no expressways. Many highway trunk lines shown on maps actually do not have bridges and have only few crossings. There is no complete accessary installations for protection, maintenance and drainage. Therefore, frequently there is no guarantee that they will be open to traffic all seasons of the year. Only 73 percent are paved, and they are mostly sand and gravel road surfaces. High grade and subgrade road surfaces constitute only 23 percent of paved mileage, and most have only oil residue surfaces. Evenness of the road surfaces is generally rather poor, the ride is rough on road surfaces paved with oil residues and sand and gravel roads become dusty when travelled. At present, 25 percent of the highways are without special maintenance personnel. Special maintenance teams at present still mainly depend on manual operations and the degree of mechanization is low. Traffic signals and signs are not uniform and complete. Many localities still do not pay attention to the greening of highways and its management. There are still cases of unauthorized felling and cutting down of trees lining roadways.

In addition, each technological link of surveying, construction and scientific research is far behind those of the world's advanced levels.

In vehicle transportation, because of mixed traffic of various types of vehicles, two-lane roads 6 to 7 meters wide cannot adapt to the demands of transportation, the average speed of automobiles is only 30 kilometers per hour. Except for a few border regions, the present automobile transport capacity is still only capable of "short hauls" and the average distance is only 40 to 50 kilometers. On major economic trunk lines and some highways near large cities, the flow of traffic surpasses the travel capacity of the roads by several times, causing crowded roads and frequent traffic jams and there are many accidents.

If the backward situation mentioned above does not solicit our attention, and if highways are not given priority for development, then the building of the four modernizations will be slowed. To adapt to the nation's economic development, highway construction must have a relatively rapid development.

Because our nation is vast, because there are many people, and because the originally existing highway foundations are extremely weak, there are many problems that have to be solved, and the state cannot provide more investment, raw materials and machinery and equipment for building and maintaining roads at once, therefore, in the present stage, we must still insist on overall planning, unified arrangement, full development of the two enthusiasms of the central and the local authorities. We must insist on implementing self reliance, struggling through hardships, equal emphasis on building and maintaining roads, and combining peace time and war time efforts, rebuilding in stages, gradual improvements, organization of special teams, mobilization of the masses, combining civilian workers and construction details, state investment and income for road maintenance, appropriation of funds by the localities, and combining operation by the people and subsidies by the state and such a series of policies of walking on two legs. The active elements of each sector must be mobilized, and at the same time, the potential of presently existing highways must be greatly exploited to dig for potential, carry out renovation and rebuilding.

Here, the management system of highways must first be reformed. Because the present work force of the highway communications departments has already reached 3 million people, it is one of the sectors of our nation that has a relatively large number of workers and a relatively large area for management. Summarizing the experience of the past 30 years, highway construction and maintenance should be managed at separate levels. This can be done at three levels in accordance with the three levels of state roads, provincial roads and county and commune highways. State roads belong to the central government system, provincial roads are managed by the provinces, cities and autonomous regions, county and commune roads are uniformly planned by each province, city and autonomous region and built and managed by the counties and communes by way of having the people operate them and having the state subsidize them. The management organ at each level should establish specialized and omnipotent agencies that can exercise unified management of planning, zoning, investment, materials, equipment, training of personnel, design, construction, maintenance, highway policy and scientific research for highway construction to thoroughly change the confused situation in present management. At the same time, investment in highway construction should be separated from the 19 non-industrial departments, and a stable and rational proportion should be maintained in the overall investment by the state for basic construction. It is suggested that this should not be below 3 percent of the total investment for basic construction by the state. The supply channels for materials, supplies and machinery equipment should be assured.

The building of highway networks should be based on a general survey and should be fully studied and analyzed to draw up a practical and long term plan, and annual plans should be drawn up according to actual need for gradual implementation and gradual completion so that highway construction can become a modern communication network for the promotion of the four modernizations step by step. At present, highways and bridges urgently needed by key industrial and mining regions, farming and reclamation bases and the economy, national defense and tourism should first

be constructed. In addition to the building of four-lane highways or larger highways for automobiles connecting the important cities and towns with ports arranged according to plans along with the expansion of foreign trade, existing highways should be more actively rebuilt to increase the passage capacity. Ordinary trunk line highways should be technologically rebuilt according to the standards for second and third class roads. Road segments near the capital and provincial capitals with oversaturated traffic flow should be technologically rebuilt according to the standards for first class roads. The existing trunk line highways should basically be paved with asphalt, bridges should be made permanent, crossings should be mechanized, road segments suitable for forestation should be planted, road maintenance should be mechanized and semi-mechanized, drainage systems should be perfected, protective engineering work and safety installations should be done, auxiliary roads and unconnected roads should be rapidly connected and crossings should be bridged quickly and dangerous bridges should be torn down. At the same time, construction of county and commune highways should be rapidly carried out, especially the construction of highways through mountain regions. In efforts to coordinate with the needs of agricultural modernization, comprehensive management of mountain regions, irrigation, agricultural fields, forestation and highway construction should be carried out in a big way to strive for completion of 1.2 million kilometers of highways open to traffic throughout the nation before 1985 and realize the goal of connecting every county and every commune by highways and connecting 85 percent of the brigades by highways.

To hasten the technological rebuilding of presently existing highways, we must liberate ideology in highway science and technology, seek truth from facts, respect science, and care about actual results. Based on our nation's situation and the characteristics of highway communications, the advanced experience and advanced technology in our nation and abroad should be learned conscientiously and the standard of management and operating capabilities should be improved. New theories, new technologies, new techniques, new materials should be used to combine creativity and learning so that the technological levels of our highway surveys, construction, maintenance and scientific research can be pushed forward in big strides.

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PLANS TO REBUILD SHANXI'S HIGHWAYS OUTLINED

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[Article by Liu Dayuan [0491 1129 0337] Chief Engineer of the Highway Bureau of the Shanxi Provincial Communications Bureau: "Several Opinions On Rebuilding Shanxi Highways"]

[Text] In the administrative report to the Second Conference of the Fifth People's Congress, Chairman Hua asked us "to exert efforts to rebuild existing highways while actively building new highways." To implement the above directive by Chairman Hua, the following opinions are presented on how Shanxi's existing highways can be rebuilt:

I. Existing Highways Must Be Actively Rebuilt

Since the founding of the nation, Shanxi's highway construction has developed greatly. At present, there are over 31,000 kilometers of highways throughout the province. Not only are major cities and towns connected by highways but 99 percent of the communes and 87 percent of the brigades are connected by highways and cars. The entire province has over 6,000 kilometers of paved asphalt roads and 93 counties and towns are connected by asphalt paved roads. All communes in the counties and cities of Jishan, Quwo, Ruicheng, Huoma, Linfen have been connected by paved asphalt roads. Development of highways has created favorable conditions for elevating the efficiency of transportation, facilitating the people's livelihood, and supporting industrial and agricultural production. According to statistics compiled by the transportation department: In 1965, the transportation cost per 1,000 tons-kilometer was 234 yuan. In 1978, this dropped to 169 yuan, a reduction of 28 percent. In 1965, the vehicle ton-kilometer produced was 31,000 tons-kilometer, in 1978, it was 51,000 tons-kilometer, a rise of 70 percent. In 1965, tires were worn out after travelling 52,000 kilometers; in 1978, tires lasted for 80,800 kilometers. The tire-kilometer wear reduced by 54 percent. The elevation of the quality of the highways is an important reason for realizing the above achievements.

Although our province's highways realized a big development, when objectively compared to the demands upon highways by the construction of the four modernizations, the highways cannot meet the demands. Highway work is still a very weak link in the national economy. Of course, the most outstanding problem is that the standards of existing highways are too low, the quality is too poor, and good road conditions cannot be provided for transportation.

According to regulations, trunk line highways should generally satisfy the standards above those for third class highways. Actually, of our province's existing more than 9,400 kilometers of trunk line highways, only 160 kilometers are of second class roads and 6,050 kilometers (including part of the old sixth class roads) are third class roads, the remaining 2,700 kilometers are fourth class highways and 550 kilometers are substandard. According to the most recent survey of traffic flow, 23.3 percent of the roads are travelled over 2,000 vehicle-trips each day and night. Of these roads, 2 percent are travelled over 6,000 vehicle-trips. In this way, the entire province should have at least about 2,000 kilometers of first and second class roads to satisfy the demands of the present traffic flow. Construction facilities for most of the roads of the province are incomplete, many bridges and culverts are waiting to be built, and two-thirds of the roads cannot be travelled on rainy days.

In recent years, we have concentrated efforts to improve and change some major road segments but the rate of rebuilding is slow, and the needs of the rapidly increasing traffic flow cannot be satisfied. For example, the road segment between Pingding and Jiuguan on the Taiyuan to Shijiazhuang road had an original designed capacity of a maximum of 2,000 vehicle-trips each day and night, but now it is being travelled 3,000 to 5,000 vehicle-trips, the highest reaching 6,000 vehicle-trips, surpassing the designed capacity of the highway by 2 to 3 times. Similar situations are also found on many road segments between Jincheng and Dakou, Yangquan and Yuxian, Taiyuan and Xiuwen. On these road segments that are seriously overloaded, traffic is very heavy, traffic jams have already occurred individually. As of the end of 1978, there were about 50,000 vehicles in the entire province. Calculating on the past annual average increase of 12 percent, the number will reach 160,000 vehicles after 10 years. As the four modernizations are realized, the rate of increase in the future will be even faster. If the highways are not correspondingly rebuilt now, then after a short period of use, many highways will become jammed.

Because the technological standard of the highways is low, the actual travelling speed of automobiles on trunk line highways is generally 30 to 40 kilometers and only 20 to 30 kilometers on county and commune highways. Sometimes automobiles cannot carry a full load because the road surface is narrow and the climbs are steep and the turns are sharp. On many road segments, towing is not possible. These factors greatly limit the transport capabilities and frequently three automobiles are used instead of only two.

Our province is an important coal base. Many coal mines cannot ship out massive amounts of stored coal because the roads are inconvenient. This not only affects the development of the coal industry but power plants at places lacking coal can not generate electricity at full power. Chemical fertilizer plants have been forced to cease production, and the supply of fuel for civilian use is very difficult, while some of our stored coal has accumulated over a long period and self ignition has even occurred.

Because the quality of highways is poor, frequently traffic is halted due to rain and snow. Throughout the province, an average of eight highway traffic accidents occur. In particular, the number of collisions and overturned vehicles has ceaselessly increased. These all have a definite relationship with the narrow foundation of existing highways, poor view of distance and many surface crossings of roads and railroads.

There are also many auxiliary and unconnected roads on existing highways. These roads are not connected, vehicles cannot pass through, and it is very difficult to adapt to the needs of modernization. In particular the exit and entry highways of such cities as Taiyuan, Datong and Yangquan are few, the standards are low, and the conflicts are more outstanding.

Shanxi Province has many tourist attractions and the future for developing tourism is bright, but the present highway situation cannot adapt to the development of tourism.

Transportation is an important component of modernized production and it is the artery of the national economy. Shanxi has many mountains and less water, and basically it does not have inland river transportation. The flow of materials mainly depends upon railroads and highways. If the backward situation of existing highways is not changed as quickly as possible, how can it become the vanguard for the development of the national economy! The time when this problem urgently must be solved has come.

II. Future Policy and the Task of Rebuilding

The basic purpose of rebuilding highways is to raise the standards and quality of existing highways relatively quickly and gradually realize modernization of highway traffic to better serve the four modernizations. To realize this overall goal, the relationship between popularization and improvement and between quantity and quality must be handled well.

In the past, we combined popularization with improvement and followed a policy of taking popularization as they key. Under the guidance of this policy and relying on the localities and relying on the masses, a massive number of highways were built. But, over the past 10 years and more, we have already begun to gradually shift from taking popularization as the key to taking improvement as the key. This can be clearly seen from the changes in the following figures. Before the Cultural Revolution, the whole province had only 357 kilometers of paved asphalt highways. As of the end of last year, this has increased to 5,826 kilometers, an increase of 16 times. The span of bridges increased from 28,600 meters to 78,100 meters, an increase of 2.7 times. Mileage of all-weather roads increased from 2,100 kilometers to 11,100 kilometers, an increase of 5.3 times. During the 10 years between 1969 and 1979, road maintenance projects cost a total of 320 million yuan, of this 240 million yuan was used to rebuild and improve roads, or 75 percent. But between 1970 and the end of last year, highway mileage increased only 3,755 kilometers, an annual average increase of only 417 kilometers. Of this, the increase in mileage in 1978 was only 88 kilometers.

Compared to the past, the quality of highways did improve, but the problem of quality is still the major problem at present. In the density of highways, there are 9.2 kilometers of highways in every 100 square kilometers of land in our nation. The density in our province is 20 kilometers. There are 9.4 kilometers of highways for every 10,000 people in our nation. In our province, there are 13.3 kilometers per 10,000 population. The proportion of highways connecting the people's communes averages 90 percent nationally. In our province it is 99 percent, ranking ninth highest in the nation. But, the proportion of surfaced roads as a percentage of the total mileage of roads averages 73 percent nationally.

In our province it is 48 percent, ranking twelfth in the nation. The proportion of the mileage of all weather roads as a percentage of the total mileage is 67 percent nationally, in our province it is 35 percent, ranking third lowest nationally. This fully shows the number of highways in our province is not small but the quality and the standard are far behind the national levels.

According to the above analysis, our province's future highway construction should clearly insist upon the policy of a combination of popularization and improvement with improvement as the key. A new stage of rebuilding and improvement centered around the development of first and second class roads has already or is about to come.

Of course, there are some old mountain regions at present that are still almost inaccessible. Some local roads need to be built as soon as possible so that the backward conditions of transporting goods by manual efforts and by animals and of the masses of the mountain regions can be liberated. The work of popularizing roads needs to be continued. But this is not the major task anymore.

Since our future policy will emphasize rebuilding, what is the task of rebuilding existing highways? I believe it generally involves the following points:

1. Elevate the technological standard of existing highways so that the travel capacity can satisfy the demands of the development of the flow of traffic.

2. Perfect various construction facilities, pave more road surfaces, raise the ability of highways to resist damage by natural disasters and under ordinary weather conditions, normal flow of traffic must be assured.

3. Adjust the distribution of highways by partially changing routes, completing unconnected roads, further perfecting the provincial highway network centered around state roads and the provincial capital.

4. Improve traffic safety installations, reduce traffic accidents, reduce dust, noise and environmental pollution along highways.

Then, what should we grasp in the near future? I believe before 1985 or 1990, the following projects should mainly be grasped well.

First, forces and investment should be centralized to improve the technological standards of the five major trunk line highways between Taiyuan and Datong, Taiyuan and Yangguan, Taiyuan and Qundu, Taiyuan and Yuncheng, Taiyuan and Dakou. The overly crowded traffic situation on these roads should be solved as a priority to increase the speed of travel. The existing highways from such cities as Taiyuan, Datong, Yangquan, Changzhi, and Linfen should be improved actively. These five trunk line highways are all state and provincial roads. They are the important roads connecting provincial cities and each region and city and the major agricultural and industrial and mining regions. The technological conditions of the five trunk line highways reflect the conditions of the highways of the province to a definite degree.

Second, the provincial committee has decided to build our province into a strong base of coal energy resources and power as soon as possible. In the future, coal

will be used as the center to lead the development of other industries. Highway construction will also center around this overall policy and will arrange its own work. Therefore, rebuilding and improvement of roads to serve mainly coal and heavy industries must be given early consideration.

Third, the masses should be actively organized to develop the spirit of self reliance. With massive funding by the state, highways to the old mountain regions which are now still almost inaccessible should be built well. Concretely, this is to basically connect every county by paved asphalt roads, connect every commune by highways and enable most of the bridges to be reached by car.

Fourth, the daily maintenance of existing highways should be actively strengthened to maintain better road conditions on a regular basis, especially road surface conditions to make up for the shortcoming due to the low standards of the highways.

In the next few years, if the above projects can be done well, the situation of our province's highways will show a remarkable improvement.

III. Correctly Select Technological Standards and Rebuilding Plans and rebuilding plans is a very important question, because it relates to investment, speed and usefulness. They must be suited to the dictates of local circumstances, they must differentiate the situations, start out from practicality and be selected carefully after comparison with many aspects.

1. Elevating the technological standard is the fundamental way to elevate the quality of highways. It should be based on the development of traffic flow of the near future and the long term future. Roads of overly low standards should be technologically rebuilt gradually. Trunk line highways generally should not be lower than the third class standard. Roads with a traffic flow of over 2,000 should be considered as second class roads and roads with a traffic flow of over 5,000 should be considered as first class roads. County and commune highways generally should not be lower than fourth class highway standards. According to the demands of the traffic flow of the long term future, there may be many roads that should be rebuilt as second class and first class roads, but at present there is still difficulty in massively developing high grade roads. Therefore measures must be suited to local circumstances and must be grasped in a versatile manner and other measures should be taken, such as strengthening traffic management and changing mixed traffic so that lower class roads can develop a greater potential.

2. A road can also have different standards according to the different amount of traffic flow, or it can be treated differently before and after rebuilding. For example, the Taiyuan and Datong road was surveyed last spring. The daily traffic flow of the Taiyuan and Xiuwen segment was 3,000 to 5,000. The traffic flow between Xiuwen and Dongguan was 1,000 to 2,000. The Dongguan and Xinxian segment had a traffic flow of 300 to 500. The Xinxian and Xiadian segment had a traffic flow of 500 to 1,000. The Xiandian and Jincheng segment had a traffic flow of 1,000 to 2,000 (it was greater than 2,000 near Changzhi), the segment between Jincheng and Dakou had a traffic flow of 1,500 to 3,000. On one road, the distribution of traffic flow was very uneven and the fluctuation even reached nearly tenfold. This shows that the Tiayuan-Xiuwen and Jincheng-Dakou segments need to be rebuilt urgently at present, but the 120 kilometers between Dongguan and Xiadian at present is a third class road and it can satisfy the need of the near future and does not require urgent rebuilding.

3. Some specially important roads must be considered economically and politically. For example, besides considering the travel capacity of the five major trunk line roads of our province, consideration must also be given to raising the speed of vehicles. Therefore I believe the five segments between Taiyuan and Datong, Taiyuan and Yangquan, Taiyuan and Lishi, Taiyuan and Yuncheng, and Taiyuan and Jincheng, from now on, should be determined as not lower than second class standard roads. According to the development of the traffic flow, differentiation must be made prior to and after rebuilding.

4. Disperse the flow of traffic and build parallel roads. For example, the segment between Jincheng and Dakou is in the mountain region and is classified at present as an old sixth class road. Daily flow is 2,000 to 3,000 vehicles, mainly transporting coal from Jincheng and Yangcheng to Henan. If the standard of the original road is elevated, it is very difficult to maintain the present traffic flow during the period of construction. One way is to build a parallel road of third class standard beside the present highway. In the future they can become one divided highway. The second way is to build a highway from Jincheng via Liushukou to Jiaozuo, or from Yangcheng via Sanyao to Jiyuan in Henan. In this way, the flow of traffic on this segment of the highway can be dispersed effectively. On the Pingding to Yangguan segment, if the road from Xiyang via Gaoluo to Xingtai in Hebei is built, vehicles transporting coal in the Xingtai area can mostly use this road, correspondingly reducing the pressure on the Taiyuan and Yangguan road.

Our province is a famous coal base. The flow of coal and the amount of flow of traffic are very much related. Therefore patterns of production and transportation on roads mainly for the transport of coal must be understood so that a rebuilding plan directed towards their characteristics can be determined.

5. Build additional supplementary roads for divided traffic. The distance between Taiyuan and Yuzi is 25 kilometers. At present this road basically qualifies as a second class standard road. Because it is a connecting road between two cities, there are many non-motorized vehicles. Considering the present and the future, it should be qualified as a first class road. If it is not possible to build it into a first class road now, a transition plan can be considered. First, a side road of 7.5 meters in width can be built on the right side of the existing highway for nonmotorized vehicles. Second, a second class road can be built immediately next to the highway, its planal road type must qualify as a first class standard road. In the future, the new road can be used for cars and the old road can be used for tractors, horse carts or as a divided highway. These two plans have both taken into consideration the combination of the near and the long term future so that when the road is rebuilt into a first class road, the present road will basically not be abandoned.

6. Fully utilize old roads. Road segments that have a good road shape and vertical slopes should be planned for widening as much as possible. Except for individual adjustments, generally the vertical slopes and the elevation should not be changed. This method generally requires the least amount of construction work, the cost is low, the work can be done quickly, and in particular, the original road surface will not be damaged, and during the period of construction, traffic will only be affected slightly. In the future, when the road from Yuzi via Taigu to Jiexi is elevated from a third class road to a second class road, this plan should be considered first.

At present, all trunk line highways that qualify as an old sixth class standard road and not too heavily travelled should be fully utilized and should not be rebuilt in the near term.

Fully dig up the potential of road shoulders. At present, the width of the road shoulders constitutes 18 to 30 percent of the total width of the foundation (for second and third class roads). Our nation's characteristic of mixed traffic should be taken into consideration in appropriately reducing the width of the road shoulders and enlarging the width of the road surface. This can increase the travel capacity correspondingly without elevating the classification standard of the road. In the design of the road surface, the thickness of the road shoulder should correspondingly be reduced to save investment.

7. Build in stages. Some roads should have a high standard in view of the long term future. But because of the limitations of the conditions, if it is not possible to rebuild them at once, then consideration can be given to setting a third class standard for the road but constructing it according to fourth class standards, or establishing a second class standard for the road but building it according to third class standards. When determining which roads are to be built during the later periods, measures must be suited to the circumstances required by the road, and decisions should be differentiated.

8. Avoid the difficult and work on the easy roads. On the Taiyuan and Yangguan road, the Taiyuan and Dongshan segment has a complex topography. Based on the present foundation of the old sixth class road, construction to elevate it to a second class road is very difficult. Therefore, consideration can also be given to building a road from Beiying via Peilin and Shitie to connect with the Yuzi and Shouyang road. This plan requires travelling over a longer distance but the topography is good, and in particular, this adds an east bound exit highway for Taiyuan advantageous for peace time and war time.

9. In the suburbs of cities, traffic is mixed and the task of rerouting a road is great, therefore technological standards should be applied in a versatile manner in view of its characteristics, such as appropriately widening the foundation and the road surface of the second class roads to 15 to 16 meters while appropriately reducing the radius of the normal curve.

Highways built especially for tourism generally do not have a large traffic flow and the road type should not be set at too high a standard. The topography should be fully utilized and massive digging and massive filling should be avoided. But the road surfaces, structures and protective facilities should be complete, and all efforts should be made to build a safe and comfortable road and one that blends in with the surrounding environment.

10. In rebuilding, the present situation of trunk line roads going through cities should be changed as much as possible.

11. Rebuilding of county and commune highways should combine management of land, mountains, water, fields, forests, and roads should be uniformly planned.

12. Viewing the present distribution of highways in Shanxi, the roads basically radiate from such cities as Taiyuan, Datong, Yangquan and Changzhi. This

coincides with the present flow of traffic and the distribution is basically rational. But viewing the exit highway from the provincial city of Taiyuan, two roads of better quality towards the west and towards the northwest are lacking. Gujiao and Gengxian to the northwest of Taiyuan will become our province's important coal and steel bases. Therefore, we should change this situation within the near future by rebuilding.

13. During the construction for rebuilding, equal emphasis should be placed on improving the road shape and the road surface. In principle, the trunk line roads should be mainly asphalt roads and county and commune roads should be sand and gravel road surfaces. But measures must be suited to the circumstances of the roads, those that should be paved with asphalt should be paved and those that should be sand roads should be made into sand roads. Some roads will have a greater traffic flow. When sand and stone materials are lacking and when the cost of maintaining the sand and gravel road surface is too high, the road should be paved with asphalt as soon as possible.

Before 1985, the call to connect every county with paved asphalt roads is feasible. But roads to counties in mountain regions that have a very small flow of traffic need not be paved asphalt roads. Because of the limitations of investment and of oil resources, the call for connecting every commune by paved asphalt roads should not be advocated. But county and commune highways leading to commune brigades open to the public and to tourist attractions should still be paved by asphalt.

Our nation's residue oil and bitumen contain more wax. Their regenerative capability is stronger. Therefore efforts should be concentrated to study the regeneration and utilization of old oil surfaces. If this problem can be technologically solved, investment can be conserved and the short supply of asphalt materials can be eased. This should be seriously considered.

In the future, the policy concerning asphalt roads should be to combine development and rebuilding and to firm up and improve existing asphalt roads as the major tasks.

14. Consider split level intersections and tunnels. Our province's existing highways mostly intersect railroads on the ground. As traffic and transportation increase day by day, the effect of railroad crossings upon highway traffic will become more serious day by day. Car and train collisions continuously occur. Therefore, negotiations with the railroad departments are urgently needed to change this situation. Especially major trunk line highways should be changed to split level crossing as much as possible during rebuilding.

Shanxi is mountainous. In the past, in building mountain roads tunnels were seldom considered. Therefore the distances are great, the slopes are steep and the road shape is poor. In the future, plans for the appropriate use of tunnels should be selected after making technological and economic comparisons at places where it is suitable for building tunnels.

IV. On Investment

Rebuilding of highways requires much investment. As for investments, we should solicit them from many places but the funds should be based on road maintenance funds.

During the 10 years from 1969 to 1979, our province's road maintenance cost totalled 621 million yuan. Of this, over 240 million yuan was used for rebuilding and improvement, constituting 40 percent of the total expenditure. If this can be maintained at 30 percent in the future, the useable investment within 10 years will amount to about 500 million yuan (calculated on a 10 percent increase per year). This is the major source of investment for rebuilding highways.

In addition, changing the routes of newly built independent bridges and key road segments should strive for investments for basic construction as much as possible. New construction and rebuilding of national defense highways should strive for investments for national defense highway construction. Construction of major coal transport routes and tourism routes should also strive for investments by coal management departments and tourism departments.

When actively organizing investments, the work in increasing production and conservation should be conscientiously done well. The policy of relying on the localities and relying on the masses which has been effective in the past should be insisted upon, the principles of suiting measures to local circumstances and using local materials should be firmly adhered to, planning must be strengthened, management of all projects must be strengthened, design must be detailed and careful, construction must be careful, unit construction cost of each construction project should be greatly reduced, and construction quality should be emphasized. Only in this way can the various investments be fully utilized.

V. Several Tasks That Should Be Urgently Grasped During the Period of Adjustment

1. Rebuilding old roads is a burdensome task. There must be an overall and scientific rebuilding plan based on seeking truth from facts. The period of the plans should be for the 10 years from 1981 to 1990. Before 1985, short term goals can be established which should be practical and concrete. Highway development serves the entire national economy. Rebuilding plans must be combined with the planning for the development of the national economy. Our province should especially draw up plans in combination with the development of the coal industry. Plans for exit highways from cities must be combined with plans for the construction of the cities. Plans for the construction of county and commune roads should be combined with plans for basic construction of farmland.

In planning, emphasis should be placed on solving the following problems: (1) Our province's provincial road network and each locality's and city's county road network should be planned in accordance with the plans for the national road network. (2) The planning of technological standards for state and provincial roads should be based on technological and economic surveys. (3) All investment items that are possible and needed within the next 10 years should be calculated and estimated. (4) A list of priorities for major construction projects and the different phases of rebuilding should be established.

This work should be assigned to the planning and design departments now and efforts should be made to complete the work within next year. Plans, as soon as they are drawn up and finalized, must be adhered to and they should not be changed at will.

Road segments that are heavily travelled at present should be surveyed and designed as soon as possible and a rebuilding plan should be selected. In general, survey, investigation and design work should be done before other work.

2. The internal proportions should be adjusted according to the eight character policy of the party to "readjust, restructure, consolidate and improve." At present, work should be based on consolidating the existing roads. In recent years, the costs for minor repairs and maintenance have dropped year after year in proportion, from 1969's 34 percent to 1978's 12 percent. The percentage for investments to build new roads and rebuild roads rose from 25 to over 50 percent. Within 10 years, the traffic flow has multiplied several times, maintenance costs per year-kilometer however has not increased correspondingly. This situation affects the quality of maintenance. The proportions of investments for daily ordinary maintenance and minor repairs should be appropriately increased according to the degree of importance and the amount of traffic flow of the roads and on the basis of surveys and research.

The investments for major and medium repairs in road maintenance should be increased so that additional small scale construction urgently needed will be completed, drainage systems should be gradually perfected, and the ability of the highways to resist damage by natural disasters should be increased. In the coming 2 or 3 years, newly built asphalt roads should be appropriately packed. Emphasis should be placed on original asphalt roads, especially old asphalt roads that are approaching the designed limits of years of usefulness. They should be repaved, strengthened and repaired. The experience of Shandong should be learned. The entire road surface of road segments that are heavily travelled should be paved.

The scope of construction of new roads and rebuilding roads should be reduced. Forces should concentrate on completing projects of continuing construction. Within 3 years, new road construction should not be initiated in principle so that projects in construction can be completed as soon as possible; for example the construction of the second class road from Xiaodian to Dongguan should be completed as soon as possible and be open for use.

In the future, investments for rebuilding original highways should be limited to one-third of the total expenditure for road maintenance in our province. This is possible and appropriate.

3. Since the Cultural Revolution, highway work emphasized only engaging in mass movements in a big way, building of special teams and specialized management were neglected. The present task is six to seven times that before the Cultural Revolution. But the agencies and work teams have not been correspondingly strengthened and have been reduced. At present, management personnel, especially technical personnel, not only have a low caliber but the quantity is seriously deficient. Among the workers, there is a lack of technical backbone teams. Construction tasks are most sent down to the localities. cadres are temporarily transferred, and civilian workers and contract work teams are used to complete tasks. The production method is primitive and backward, the standard of management is low, and quality and construction costs cannot be assured. Therefore, an active and cautious attitude must be taken and the organizational system and management system of the present time must undergo necessary readjustment and reformation. Measures should be actively taken to establish a specialized,

hardcore road construction and maintenance team through placement and training to realize the combination of specialized teams and mass movements. Construction that is highly technical should mainly be carried out by specialized teams. If this problem is not solved, we will still continue to make strategic mistakes.

4. Material supply channels for road maintenance work have been stipulated by the Party Central Committee but if we do not exert active efforts, the problems will still remain unsolved. Materials are necessary elements of production. When materials cannot be assured, then even with investment, work can only by half completed.

Equipment, food and labor assurance commodities for the road maintenance worker have not been completely solved and these have become "old and difficult problems." If the situation is allowed to exist for a long time, it will seriously affect the rate of highway rebuilding. These problems should be given serious emphasis. In the near future, forces should be concentrated to solve the problems.

Technological renovation and scientific research work should be launched in a big way. Mechanization and semi-mechanization of road construction and road maintenance should be gradually realized. The present primitive and backward method of production must be changed and work efficiency must be raised. The policy, principles and guidelines of the technology for rebuilding old roads must be studied and solved. The techniques and theory of utilization of original roads, repair and construction of roads in stages, rebuilding of bridges and strengthening of bridges, and reinforcing road surfaces and utilization of road surfaces should be studied. At present, the method of simultaneously carrying out construction and maintaining traffic should be solved urgently through summarizing of experience.

6. Our province has a total of over 31,000 kilometers of highways. There are only over 52,000 motor vehicles. Each kilometer averages less than two vehicles. But because of the low standard of the highways, concentration of the traffic flow, especially mixed traffic, there are still about 20 percent of the trunk line highway that seem to be overly crowded by traffic, and this is even worse near cities. At present, in the composition of traffic on the trunk line highway, tractors and horse drawn carts constitute an average of 21 and 19 percent. Traffic is more chaotic at places where there are more tractors and horse drawn carts. Traffic control must urgently be strengthened. In addition, because of poor management of roads, blasting mountains and rocks on highways, using highways to dry grains and piling miscellaneous objects on highways are very common. Such activities not only damage the highways but seriously affect traffic safety and travel speed. If [illegible]ation is not changed, no matter how wide and good the roads are, the tr[illegible]peed of vehicles cannot be increased and traffic accidents will not be redu[illegible].

Now, the emphasis in the work of supervisory departments is on automobile supervision and they have no time to care about improving and maintaining traffic order. Management of roads mostly does not follow established laws and implementation of the laws is not strict. These problems require urgent and conscientious study to solve them properly.

7. Shanxi is our nation's important coal base and its strategic position is very important. Actively developing highway traffic has very important significance.

In the modernization of highway traffic, what should be modernized first and on what foundation should first be made clear. I believe, if a modernized highway network corresponding to the national economy cannot be built in the near future, there is no way we can talk about modernization of highway traffic, and the four modernizations will necessarily be slowed. Without modernized highways, advanced means of transportation cannot function properly. In comparing the vehicle and the highway, the highway is the foundation. Therefore, the function of highways in the national economy must be further emphasized to establish the highway as the foundation, to push highway work forward and promote the guiding ideology of overall work, strengthen leadership, and actually do the work of building highways and rebuilding original highways well.

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CSO: 4006

GOALS OF HIGHWAY MODERNIZATION OUTLINED

Beijing GONGLU [HIGHWAYS] in Chinese No 5, 25 May 80 pp 2-5

[Article by Pan Qi [3382 3825] "Let Everyone Discuss the Question Concerning the Chinese Way of Highway Modernization--An Open Letter to the Editors, Authors and Readers of HIGHWAYS Magazine"]

[Text] I am happy that HIGHWAYS magazine has been revived and I express my enthusiastic congratulations and hope it will become the propogandist and the organizer for promoting our nation's highway modernization on the road of the new long march.

I have read the trial issue and this year's first issue. As a reader, I would like to make a suggestion to open a special column in HIGHWAYS magazine, mobilize the broad masses of staff and workers on the highway front and all comrades who care about our nation's highways to liberate their thinking, to seek truth from facts, to say what they want, and to draw on the collective wisdom and absorb useful ideas. Commissioner Ye pointed out in his "Address to the Rally to Celebrate the 30th Anniversary of the Founding of the People's Republic of China": "We must start out from the actual situation in China, conscientiously study economic patterns and natural patterns, strive towards opening up a road that is suitable to our nation's conditions and characteristics in the realization of modernization." We thus launch a discussion about the question concerning the Chinese way of highway modernization.

Since the crushing of the "gang of four" and specially since the Party's Third Plenum, the frontline of highway work, like every other frontline work of the nation, is thinking of the four modernizations, discussing the four modernizations and exerting efforts to shift one's own work emphasis to the building of socialist modernization.

But, what is highway modernization? What are the goals and the tasks of our nation's highway modernization? To realize modernization of our nation's highways, what road should be followed? How can the emphasis of highway work be shifted to the building of socialist modernization? As the first battle in the four modernizations, how should the eight character policy of "readjustment, restructuring, consolidation and improvement" be implemented in the highway front lines? Of all these questions, some have not been fully considered and solved, views or methods have been found for some but they are not in line with each other, and some even have many different opinions and none seem right. For example:

I. For a Period, Views Regarding Express Highways Have Not Been Consistent, There Have Been at Least the Following Three Viewpoints

One is the belief that to carry out the four modernizations, building express highways is a must, that express highways in our nation "is absolutely necessary," "and without express highways there will be no four modernizations." The other belief is exactly the opposite, saying that it is not necessary for our nation to build express highways, the reason being that "our nation does not have high speed vehicles, therefore it is not necessary to build express highways," "express highways in foreign nations are mainly for small vehicles, our nation does not develop small vehicles, therefore it is not necessary to build express highways," "China has less land and more people, agriculture is still backward, express highways take up too much land, therefore they should not be built," "the cost of building express highways is high, it would be better to build trains"; etc. Another opinion believes that express highways need to be built because they are needed by the four modernizations. But at present, the nation's capital is in short supply. Expressways can only be built gradually in the future. At present, preparatory work in planning, survey and design, technology, talent and management should be done well, and, the advanced experience abroad in the school of thought on design and technological standards have to be learned and the work must start out from the actual situation in China to build Chinese styles express highways.

These all involve a series of important questions concerning technological policy such as the question concerning the relationship between express highways and the four modernizations, the question concerning whether express highways are suited to China's national situation, the question concerning a comparison of the function and the economics and technology of express highways and railways, the question concerning the Chinese type of express highways, etc. These should all be discussed in terms of their theoretical, technological and economic aspects, a careful and detailed technological and economic thesis must be formed to obtain a scientific and truthful conclusion from facts before thoughts can be unified and before any decision can be made to guide the activities.

II. The Question Concerning the Treatment of Farm Village Roads

Some comrades believe farm village roads are only farm village roads and the technological demands are not high and there is nothing that concerns modernization For highway modernization, forces should be concentrated on managing the trunk lines highways, and farm village roads can be left alone or cared for less. There are even more comrades who disagree with this opinion. They believe farm village roads directly serve the development of agriculture, agricultural modernization, and implementation of the order of the national economic policy of developing agriculture, light industry and heavy industry. This question concerns the personal benefits of the broad masses of farmers, concerns the mountain regions of minority nationalities, construction of the mountain regions and old bases, and has a greater function in national defense. The road network in farm villages is an important component of the national highway network. It is the foundation of the national highway network and it is also an indispensible part of highway modernization. Therefore, farm village roads should be taken care of and leadership should be strengthened for all-out development.

This question also involves the content of highway modernization, involves the relationship with agricultural modernization, and in particular it involves the questions concerning the relationship between farm village roads and politics, economy, culture and national defense. Therefore the questions should be clearly discussed to correct thoughts and do the work well.

III. The Question Concerning the Conditions for the Realization of Highway Modernization

Some comrades believe the investment, equipment and materials provided by the state for the highways are few, and there are no objective conditions. Highway modernization can only wait until all the objective conditions exist before it can start. When foreign exchange is lacking, one can only ask the state or borrow from someone else. In general, to carry out modernization, everything must "wait, rely on others and be asked for." Some people even believe that since at present, waiting is in vain, relying on others is not feasible, asking will not be fruitful, thus to engage in highway modernization there must be authority, this means there must be an authority to decide on the plans for highways, investments and material distribution..., otherwise highway modernization cannot be discussed and work cannot be done. Another opinion holds that to realize highway modernization, there must necessarily be objective conditions, but first, besides objective conditions, have we exerted efforts to complete the preparatory work which subjectively we should have been able to complete? If we have not, then even when there are objective conditions, how can the work be realized? Second, do all objective conditions have to be "waited for, relied on others and asked for"? Can some objective conditions be created by relying on our own subjective mobility and by developing the spirit of hard work and creativity? In one sentence, efforts should be exerted now when the objective conditions do not yet exist to prepare for the task fully and to strive towards creating some objective conditions. First one must conscientiously seek truth from facts, begin everything from the practical situation, and the principle of combining theory and practice should be adhered to, start out from the overall situation and the partial situation, the need and the possiblity, the present and the future, the objective and the subjective actualities, conduct surveys and research profoundly, fully obtain information for analytical discussion to obtain scientific conclusions and truly grasp the objectively existing economic patterns and natural patterns, truly carry out the work according to materialist dialectics and historical materialism so that when the state provides investments, makes plans and includes highway modernization on its daily agenda, then the task of highway modernization can be victoriously welcomed with sufficient preparation and with a high standard of technological and managerial levels. As to "authority," the initiative authority in the various aspect mentioned above all exist. In particular, we should ask ourselves first about our own work whether we have truly implemented the above principles and have thus possessed sufficiently convincing "authority" to speak? This question involves a series of questions of principle of the ideological line and the political line and they must be clearly discussed.

IV. The Question Concerning How the Eight Character Policy of "Readjustment, Restructuring, Consolidation and Improvement" Can be Implemented on the Highway Frontline

There are two entirely different ways. One way is the way followed by an engineering bureau. Because this year's investments were reduced, basic construction was set

aside and the tasks performed could not make enough income, several thousand people become idle. They depended upon loans of several hundred thousand yuan each month to pass the days, and individual units even distributed the borrowed money as wages and told the workers to take a long vacation and go home. Can this way be called "readjustment, restructuring, consolidation and improvement"? Can this way suit the needs of highway modernization? The other way is to utilize this opportunity to reorganize the enterprises in a big way and to conduct training for the entire staff. The face of the enterprise can be changed completely from the cadres to the staff and workers, from the leading personnel to the basic level units, and the level of political ideology, the technical level, the level of business and management and cultural levels can all be elevated so that the staff and teams of workers can truly adapt to the needs of highway modernization. At the same time, the spirit of the directives of the Party Central Committee should be followed, i.e., to utilize the present productive capabilities, and based on the needs of the domestic and the international markets, open up the roads for production, increase production, increase financial income, take the initiative in doing work, "find rice for the pot," provide service to the door, develop the enthusiasm, initiative and mobility of the production units and the laborers. Big ways for production should be carried out and small ways for production should also be carried out, accumulating a few into a lot, and accumulating the little things to make something valuable. One should not sit around and wait for the higher authorities to arrange everything and for the state to solve all difficulties.

Accordingly, not only can ways be found domestically, but engineering work to build highways and bridges can be actively contracted abroad and we can even provide labor. This can create more foreign exchange for the state and can also earn full sets of advanced machinery and instruments. Especially important is that this can train a modernized survey and design and construction team equipped with modernized equipment and possessing advanced levels of production, technology and management. After returning home, this team can become the base for further training, popularization and creation. The method of "learning, application, improvement and creation" can also be used to select sample machinery from the advanced equipment earned as model for copying, for renovation, for creation, for test production, and even for batch production, thus leading highway and traffic industries onto the road of modernization. All of these will have served importantly to prepare for highway modernization. Is this an impractical dream? No! Is this something frivolous? No! This is exactly the way towards self reliance, of striving towards strength, hard work and modernization! This is truly implementing the eight character policy of "readjustment, restructuring, consolidation and improvement." The two methods above, positively speaking, will produce two entirely different results. Should they not be clearly discussed?

Examples of such efforts are many and the questions to be discussed are also many. But these few examples are sufficient to show that we have not yet opened the gate to this necessary kingdom of highway modernization. Therefore, it is very important and urgent to launch a discussion of the question regarding a Chinese way to highway modernization. It must be realized that to carry out highway modernization in a land of 9.6 million square kilometers, the task is glorious yet difficult. In this business, problems that have occurred and that will occur are of course many and complex. There is debate supporting different views. This is not surprising, and this is very precious and is needed very much. The question is to develop democracy well and implement the "double hundred" policy, implement

the three no's, mobilize the broad masses of staff and workers and all comrades concerned about highways to engage in discussion and to draw on collective wisdom and absorb useful ideas. In this way, people with true knowledge, bright views, true capabilities and knowhow can be discovered, the knowledge and experience for us to realize highway modernization can be greatly enriched, and relatively more correct conclusions can be obtained gradully, the pattern of highway modernization can be grasped, and concrete ways, policies, guidelines and methods can be found for the realization of the task. Therefore, this discussion is needed objectively and subjectively and must be carried out; there are only advantages and there is no harm. It is a task that must be tightly and conscientiously grasped.

The content of the discussion must not be pinned down. As long as it is about the question of our nation's highway modernization, everyone can express his own opinion and say what he wants. But at the same time, comrades who participate in the discussion should be prompted to realize the following:

The first is to truly liberate ideology and start the motor running. The confinement by the remnant poison of Lin Biao and the "gang of four" and various habitual forces must be broken. The effects of stale ideology, lazy thoughts and bureaucratic and subjective and biased opinions should be shaken off. One must dare to bring up problems, clearly express his views, conscientiously study the new situation to truly solve the new problems.

The second is to seek truth from facts and everything should start out from the actual situation. The need must be considered and the possibility must also be considered. The objective conditions must be analyzed and the subjective conditions must also be analyzed. Foreign experience must be studied and the situation in China and the Chinese experience must be studied also.

The third is to develop the spirit of self reliance of striving towards strength and hard work and of creating the future. One must not rely on "waiting, relying and asking." The subjective mobility must be developed and all efforts must be exerted to create conditions for oneself.

The fourth is to follow the principle that practice is the only standard for testing truth. The positive and negative experience in our nation's highway construction for the past 30 years must be summarized conscientiously. Confirm and develop those experiences that benefit highway modernization, learn and improve those lessons that are unfavorable to highway modernization.

The fifth is to refrain from talking emptily, saying what others say, making onlooker's unsolicited comments, and speaking falsely. One must say the truth and be honest. The style of the comments need not be restricted.

Commissioner Ye pointed out in his important address in celebration of the 30th anniversary of the founding of the nation: "All of our work must evolve around this center of construction for modernization and serve this center. The evaluation of the work of and the honors to be given to every region in the nation, every department, every unit and every individual must be judged by the standard of their direct or indirect contribution to the construction of modernization. All cadres and the people of the whole nation must exert all efforts and concentrate all thoughts and seize every minute to engage in this great construction."

Comrades on the frontline of highway work, whether engaged in scientific research, planning and design, communications industries, education, technological information processing, etc, editors, authors and readers of HIGHWAYS magazine, I want to humbly listen to your opinions, wholeheartedly learn from all comrades, and join all comrades in holding this discussion well first, so that this discussion can be lively and rich in ideas and extremely fruitful. I fully believe that by relying on collective wisdom and strength, working and thinking together to provide plans and policies, this eventual kingdom of highway modernization will certainly turn into a kingdom. The glorious goal of highway modernization must be realized on the great continent of the motherland.

Criticism and corrections are welcome as to whether the above suggestion is correct.

April, 1980

Editor's Note:

This suggestion by Vice Minister Pan calling upon everyone to hold a big discussion on the question concerning a Chinese way to highway modernization, we believe, is a very important and fundamental question in the frontline of highway work. The time for holding this discussion is right now and it is entirely necessary. This magazine will set aside a special column starting from the sixth issue for discussion of the problems concerning: What is highway modernization? What are the goals and tasks of our nation's highway modernization? What road should be followed in realizing our nation's highway modernization? How can the eight character policy of "readjustment, restructuring, consolidation and improvement" be implemented? And how can the technological rebuilding of existing highways be hastened? In addition, through all questions related to our nation's highway modernization readers can express their own opinion and say what they want. But the viewpoint must be clear, there must be a basis and empty talk must be avoided. It is hoped that comrades on the frontline of highway work of the whole nation and all comrades concerned about our nation's highways enthusiastically support this call and actively participate in discussion to contribute plans and policies for our nation's construction of highway modernization!

All work received should be marked "Special Discussion Column."

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BRIEFS

TIBETAN HIGHWAY SOCIETY--The founding ceremony of the Highway Society of the Tibetan Autonomous Region was held from December 21 to 26, 1979 in Lhasa. Participants numbered 98. It was a lively and active meeting. The mission of this meeting was to implement the spirit of the founding meeting of the Chinese Highway Society, the Scientific Conference of the Tibetan Autonomous Region and the National Scientific Conference, draw up the charter of the Highway Society of the Tibetan Autonomous Region, organize the agencies of the society and the special committees, engage in academic exchange and draw up the plans of academic activities for 1980 and 1981. The participants passed the society's charter with thunderous applause, elected the board of directors and the standing committee, deputy directory Yong Pi [7167 0012] of the traffic department was named chairman of the board. Wen Guoliang [2429 0948 5328] and nine other comrades were named vice chairmen. Yang Zonghui [2799 1350 6540] served concurrently as secretary general. An academic committee and five special committees on railroads, bridges, automobile transportation and road building machinery were set up according to the charter. The meeting engaged in a wide academic exchange. [By Jia Zhaoyu [6328 0340 3842]] [Text] [Beijing GONGLU [HIGHWAYS] in Chinese No 4, 24 Apr 80 p 40] 9296

GUANGZHOU-FOSHAN HIGHWAY--The distance between Guangzhou City and Foshan City is 19 kilometers. It is the only road from Guangzhou to Hainan, Zhanjiang, Zhaoqing, Foshan and some parts of Guangxi. At the same time, it is one of the roads heavily travelled by overseas Chinese and compatriots in Hong Kong and Macau. Along both sides of the road are river networks. The foundation of the road is low, the water level is high, the soil texture is soft. It was originally a 10-meter wide simple asphalt road surface. The day and ninth flow of traffic at present has reached 5,000 to 6,000 vehicle-trips. In addition there are over 15,000 bicycles that use the road. After completion of the road, the residue asphalt road surface has a total width of 18 meters divided into a car lane and a non-motorized vehicle lane. The main car lane is 9 to 10.5 meters wide. The non-motorized vehicle lanes on both sides are 3.75 to 4 meters wide. Along the two non-motorized vehicle lanes are dividers made of cement blocks to prevent bicycles from veering into the main traffic lane. The road surface structure consists of lime soil, cement sand, and lime for reinforcing the foundation, paved with a 10 centimeter layer of crushed stones as a transitional layer, than an even layer of 3 centimeters paved with heated asphalt. The road shoulder has lime piles, gangue, furnace residue and stone powder that compose the cushion layer. An average of over 14,000 tons of materials was used per kilometer. The entire project was completed at the end of last year. At present, it is being used well, and the number of traffic

incidents has greatly decreased. The travel speed of vehicles increased from the original over 30 kilometers to 60 kilometers. It is the first divided highway with an asphalt road surface in the Foshan area. [By Wang Pingfang [3769 0769 5364]] [Text] [Beijing GONGLU [HIGHWAYS] in Chinese No 4, 25 Apr 80 p 40] 9296

US PROFESSOR HOLDS CLASS--At the invitation of our Ministry of Education, Professor Heines, an expert on the construction of curved bridges, of the University of Maryland, USA, held a lecture at the Nanjiang Engineering Academy from December 3 to 22, 1979. The participants, including representatives from higher learning institutions in the fields of systems studies, traffic systems studies, city building system studies and railroad systems studies, totalled 101. The lecture, given in 14 segments was mainly based on the theory of the design of curved bridges and it also introduced the contents of the design of the load coefficient method, fatigue and strength calculations, and analysis of inner force of tilted bridges. During the course of the lecture, a massive amount of documentary materials given by Professor Heines was printed and distributed. Via this lecture, bridge construction technology of China and the United States was exchanged, and at the same time it promoted the friendly communication between the peoples of China and the United States. Professor Heines is presently one of the recognized experts on curved bridges. He has profound expertise in the design and study of curved bridges. This lecture will definitely produce an effect upon our nation's building of split level expressway bridges, split level intersecting bridges between cities, and draw bridge construction for especially large bridges in the future. [By Zhuang Haitao [8369 3189 3447] and Shao Rongguang [6730 1369 0342] [Text] [Beijing GONGLU [HIGHWAYS] in Chinese No 4 25 Apr 80 p 40] 9296

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END

BRIEFS

TIANJIN HOUSING PROBLEM--The Tianjin Municipal People's Government held a meeting at Tianjin University on 22 October to mobilize residents of living quarters at Tianjin's three major universities to dismantle their temporary houses and move to new houses built for them. Mayor Hu Qili addressed the meeting. He promised that the municipal CCP committee and people's government would do their best to solve problems in the people's daily lives and urged them to take the interests of the whole into account and cooperate with the government. Representatives of the school residents pledged to evacuate their temporary houses by 10 November. [SK230954 Tianjin City Service in Mandarin 0030 GMT 23 Oct 80]

SHANGHAI HOUSING CONSTRUCTION--Shanghai has planned to build new houses with a total floor space of 2.5 million square meters in 1980. By late September, 1.09 million square meters of floor space were completed, or more than 43 percent of the 1980 housing construction plan. It is anticipated that 1.4 million square meters of floor space of housing projects under Shanghai's unified construction plan will be completed by the end of 1980, while the housing projects financed by the people will exceed 1 million square meters. [Shanghai City Service in Mandarin 1130 GMT 30 Oct 80 OW]

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DOMESTIC TRADE

BRIEFS

SHANGHAI AUTUMN COMMODITIES FAIR--The Shanghai autumn commodities fair, jointly sponsored by more than 30 municipal bureaus and central government units in Shanghai, will be opened on 24 October. More than 100,000 kinds of commodities will be on display and for sale. They include machinery, electrical appliances, metals, chemical raw materials, instruments and meters, light industrial and textile products, and so forth. [Shanghai City Service in Mandarin 1130 GMT 23 Oct 80 OW]

GANSU TRADE FAIR--The first Gansu provincial trade fair of light and textile industrial products opened in Lanzhou 28 October. Attending this fair were some 1,800 delegates from 12 industrial and commercial delegations from various prefectures, municipalities and autonomous prefectures. Xiao Jianguang, deputy governor of the Gansu Provincial People's Government, chaired and addressed the opening ceremony. [Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 29 Oct 80 SK]

XIZANG BORDER TRADE--Since the beginning of the second half of this year, small border trade has been flourishing in Xizang's Ngari Prefecture. It has been warmly received by people on both sides of the border. Located in the western part of Xizang, Ngari Prefecture borders India and Nepal. Rich in resources and famous for its flourishing animal husbandry, Ngari Prefecture is now an important area in China for conducting border trade with India and Nepal. As a result of implementing the party Central Committee's policy on Xizang, border trade was reopened in Ngari Prefecture. Many border inhabitants and merchants from India and Nepal come to the traditional fairs at (Tangke) and (Zhangxigang) to engage in small trade. Many peasants and herdsmen of Tibetan nationality from various localities in Ngari Prefecture come to sell sheep's wool, salt, cattle and horses and to buy rice, wheat flour and other daily necessities. [Text] [OW310056 Beijing Domestic Service in Mandarin 0400 GMT 30 Oct 80]

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TIANJIN MUST BECOME A MAJOR EXPORT BASE

Tianjin TIANJIN RIBAO in Chinese 12 Jul 80 p 1

[Commentary by staff commentator: "Build Tianjin Into a Major Export Base"]

[Text] To strive, in a not long period of time, to build Tianjin municipality into a major export base with a capacity for strong competitiveness internationally—this is the Party Central Committee's and State Council's ardent expectation for us, and is also one of the struggle objectives for the people of the municipality put forward by the first session of the Ninth Tianjin Municipal People's Congress. In the municipality, each front and department, and the broad masses of workers, peasants, cadres, and intellectuals, should take positive actions and fully display Tianjin's superiority so that our municipality will have a big development in foreign trade.

Tianjin municipality's foreign trade has a long history, and foreign trade develops on the base of domestic trade. In 1979, the total export value of Tianjin port was over 7 times greater than that in the initial period after liberation. Tianjin port now has trade contacts with 128 countries and regions. For many years, our municipality has fostered a group of persons talented in foreign trade, formed traditional foreign trade channels, and built many foreign trade facilities in order to create for foreign trade a fairly solid material and technological base.

Even if our municipality has developed extremely favorable conditions for foreign trade and has also obtained great results, the rate of development still lags behind the advanced areas in our country. Last year, our municipality's increase in total export exchange value was lower than the national average; the increase in purchase value was lower than Beijing's and the increase in absolute value was lower than Shanghai's. The main reason for this backward situation is that we do not sufficiently understand the party's policy concerning the development of foreign trade, and the situation in which the entire municipal party and each trade and profession starts work on foreign trade has not yet taken shape. Many units have not yet made the development of foreign trade a focal point of their own work, and mutual support and mutual cooperation are insufficient. Therefore, in order to build Tianjin into our country's major export base we must first carry out wide-ranging and profound propaganda and education for all party members and people in the municipality, so that they will fully understand that to develop foreign trade is a strategic measure and an important way for speeding up the realization of our country's four modernizations. At present, when we have passed and put into effect policies for readjusting, restructuring, rectifying, and improving the

national economy, the conscientious implementation of general and specific policies and of measures to develop foreign trade will cause every trade and profession to be concerned about and support this development and to earnestly do a good job for foreign trade.

The development of production is the material base for expanding exports. We must, according to market changes, organize well the production of export goods. We must vigorously grasp the production of "attention getting" goods. Each trade and each department should, in its own field and system, make plans for the development of "attention getting" goods, organize the implementation of these plans, and attain results. Our own experience and the experience abroad tell us that, in the long term, what can truly capture positions on international markets are not agricultural and sideline products but industrial products.

Therefore, we should fully utilize the industrial base and the technological strength of our municipality to escalate substitutions in the export goods produced by the industrial system and vigorously develop medium- and high-grade goods. Each factory and enterprise must make competitiveness abroad and the capture of international markets its own unshirkable responsibility, and not just be satisfied to reach historically advanced levels or just be satisfied to produce well-known brands or number one brands within the country. Last year, 229 of Tianjin municipality's industrial products were rated among the top three in quality nationally, but only a little over 110 of them were exported. With our old industrial base, we cannot be satisfied to just compete in domestic markets but should dare to compete in international markets. From now on, while striving hard to develop the export of medium- and high-grade light industrial and textile products, we must fully bring into play the strong points of Tianjin municipality's coastal petroleum industry and marine chemical industry, so as to vigorously develop the export of chemical industry products, electromechanical instruments and meters, and small-scale complete sets of equipment, gradually changing the composition of our municipality's export goods.

Owing to have lost the correct proportion between its "bones" and "flesh," and adding on top of this the disruption and destruction caused by Lin Biao and the "gang of four," Tianjin municipality has many overdue bills for transportation, posts and telecommunications, and municipal construction. This has caused many shortages in funds for developing foreign trade. Therefore, if Tianjin municipality wants to build itself into a major export base, it must rapidly develop municipal administration, transportation, and posts and telecommunications. In particular, we must accelerate port construction, and this is extremely urgent for the development of our municipality's foreign trade. At present, the handling capacity of the new port is far from able to satisfy requirements, and ships that should enter the port do not and the goods that are finally unloaded cannot be delivered in time. This not only damages the economy but also blocks the development of our municipality's import and export trade. And it makes it necessary for our port, transportation, foreign trade, marine, and machine-building departments to, as speedily as possible, take measures so that results are soon seen in port construction.

If we want a big development in our municipality's foreign trade, we must also strengthen cooperation. Industrial, agricultural, and foreign trade departments must strengthen their cooperation; domestic and foreign trade departments must

strengthen their cooperation. At the same time, cooperation must be strengthened with each fraternal province, municipality, and autonomous region, and, for the convenience of their import and export business, good work must be done in selling, transporting, and storing their goods on a commission basis, so that everybody pulls together and works hard for the development of our country's foreign trade.

Tianjin municipality is one of the big industrial and commercial cities of our country and is the major port of the north. To, as rapidly as possible, build it into an export base that will create even more foreign exchange for our country is our unshirkable responsibility. If we only continue to emancipate our minds, "start the machine," and work enthusiastically, we will certainly complete this glorious and formidable task.

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REFORM OF GUANGDONG'S FOREIGN TRADE SYSTEM URGED

Guangzhou NANFANG RIBAO in Chinese 7 Aug 80 p 2

[Article by Ru Zhenghu [5423 2973 3275]: "Make the Most of Our Province's Advantages in Foreign Trade"]

[Text] Our province's foreign trade has been rather active lately. How to make the most of its advantages in this respect is of great significance for our province in bringing out strong points and avoiding weak points so as to invigorate the economy. What advantages does our province possess in foreign trade? Several of the major ones are summarized below:

Our province has a fairly long history of foreign trade, and its commodity economy is fairly well developed. Guangzhou city was once our country's largest commercial and foreign trade center. According to authoritative data cited by Marx, in 1845 the total import-export trade of Guangzhou was worth $38.4 million, of which export accounted for $27.7 million. This was 3.5 times Shanghai's total import-export trade and 4.6 times its total export. Now, Guangdong [as published] is the number two port in the country, second only to Shanghai. Last year, our province's total export was 9 percent of the country's total, and it has already established trade relations with over 150 countries and regions.

Being adjacent to the huge international markets and transit ports of Hong Kong and Macao, Guangdong has close relations with them. Hong Kong now has a population of 5.5 million people, of whom over 90 percent are Cantonese, and it has a kith-and-kin relationship with the people of Guangdong. In 1979, there were 8.35 million admissions into Hong Kong from Guangdong of people visiting relations or of tourists. Last year our province received from materials processing, compensatory trade, and foreign capital absorption $100 million. Hong Kong has several hundreds of family businesses that have been set up by pooling capital with enterprises in our province. This is an excellent beginning for our province in utilizing foreign capital and in developing its foreign trade advantages, and is a condition for it to use its special advantages.

Our province has rich natural resources. With its favorable natural conditions, it can supply to the outside rich raw and fresh products; our province occupies one-third [as published] of the country's seacoast and thus can make a profit from its export of fish and salt; our province's mountainous land and hills are suitable for forestry and animal husbandry, and there can be a vigorous development in the export

of livestock products and articles made from bamboo. Our province's industry has a considerable base. From the fifth year (1866) of the Tongzhi Reign of the Qing Dynasty, when modern industry began in China, up to the eve of liberation, the province's industry possessed 300 million yuan in fixed assets. After 70 years of postliberation development, up to 1969, the provincial industry's fixed assets were equal to 33 times that in the initial period after liberation. Moreover, it had many brand-name products that had long enjoyed a good reputation and been in great demand abroad.

From the time just after liberation when our province formed our country's first company specializing in foreign trade (the Nanyang Trading Company), the province developed in this field so that today it has 11 import-export companies and 78 export branch companies, and recently a provincial general trading company was formed. A contingent of foreign trade specialists has been trained. Our province has set up three multiple-producing export commodities production bases in Foushan, Huiyang, and Zhanjiang prefectures. With all of this, we have an organizational base for making the most of our province's advantages in foreign trade.

Our province truly has great advantages in foreign trade, but they are not being fully utilized. For example, the exchange cost [huanhui chengben 2255 0565 2052 2609] of our province's export commodities is higher than the national level, and its rate of fulfilling trade agreements is lower than the national level. This is very inharmonious. To make the most of our province's advantages in foreign trade, I suggest that some necessary reforms be made.

The economic structure of our province must be readjusted so that consumer goods are given priority. From 1949 through 1957, the average annual rate of increase in our country's industrial and agricultural production was a little over 14 percent, and consumer goods accounted for 72.7 percent of the total value of national production. With the abundance of consumer goods, foreign trade shot up so that it was three times greater than it had been. In 1958, our province's total export value was $300 million and Hong Kong's was $500 million--not too wide a disparity between the two. But, in the period from 1958 through 1978, our country lost the correct proportion between accumulation and consumption. The average annual increase of industrial and agricultural production and consumer goods accounted for 24 percent of the total value of national production. Owing to the lack of consumer goods, in the first 2 years of the 1960s, our country's foreign trade was cut by 40 percent. And by 1968, our country's total export value was less than 1 percent of the world's total. In 1968, our province's total export was worth $1.1 billion, a difference of over 11 fold. Therefore, if we want to develop our province's foreign trade, we must readjust its economic structure so that consumer goods are given priority.

We must, under the guidance of a plan, regulate the markets. For enterprises, this is the main thing. In the past we went by the principles of "fix sales according to output" and "one consistent system for 10 years," which did not make very good use of the regulatory mechanism of the international markets. Between industry and trade, output and sales did not mesh, and productivity did not satisfy needs. Foreign trade departments were unable to pick out and buy superior products. In essence, this was not practicing the commodity business relationship of exchanges at equal prices, and it depended on administrative orders to maintain production. Therefore, we must carry out market regulation under the guidance of a plan. To effect foreign exchange quota responsibility and exchange cost quota responsibility is to integrate planned regulation and market regulation.

We must open up the utilization of foreign capital and pool capital for businesses. At present, in our utilization of foreign capital, first, we lack a unified long-range plan, and thus are unable to bring out our strong points and avoid our weak points, and some businesses, on the contrary, even disrupt their own markets; second, the pernicious influence of the ultraleft ideological trend has not yet been eliminated, and it adversely affects our utilization of foreign capital. To vigorously utilize foreign capital and pool capital for businesses is a major policy of our government. Being adjacent to Hong Kong and Macao, our province has many favorable conditions for utilizing foreign capital and pooling capital for businesses. We must strive hard to operate well the Shenquan and Zhuhai special areas, fully utilizing Overseas Chinese capital and foreign capital to create foreign exchange for the state and to accumulate experience for the four modernizations.

The foreign trade departments must be simplified and centralized, must improve their efficiency and further specialize. At present, the foreign trade structure of our province is overstaffed, and, fundamentally, uses administrative methods to manage the economy. There are too many administrative levels and too many customs barriers, and consequently the flow of commodities is blocked. Part of the structure "sits idly while eating and stamping forms." Whether the overlapping administrative structure is necessary or not is well worth studying. Foreign trade companies handle both production and foreign trade, and also have both "big and complete" and "small and complete" management styles. The foreign trade administrative system must be reformed not only on its distribution side but also principally on its circulation side. Here are several tentative ideas for this reform:

One is to reform it from the circulation side. Foreign trade enterprises should simply engage in the business of commodity circulation, and when they attain an even higher degree of specialization, they should assign the work they had originally been charged with—production processing, purchasing, and storing and transporting--to separate trust enterprises concerned with production, purchasing, and storing and transporting, thereby practicing a contract system. Second, in unifying production and circulation, we should set up trading companies as trusts which form a "coordinated process of production, supply, and marketing." These companies will be composed of two parts: export and goods supply. The third reform is the local management system. The province should set up a general company which "integrates government administration with enterprise management," and is composed of provincial specialized companies and area trading companies; every prefecture and county should set up trading companies that "integrate government administration with enterprise management," and are composed of branch companies and county companies. Reform of the foreign trade system is part of the reform of the entire national economic system. With the goal of reform being not that of adding structures but of improving the quality of export goods so as to meet the requirements of international markets, we can truly make the most of our province's advantages in foreign trade.

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CSO: 4006

ZHEJIANG MOUNTAIN AREAS PRODUCE GOODS FOR EXPORT

Hangzhou ZHEJIANG RIBAO in Chinese 30 Aug 80 p 1

[Article by reporting team of the provincial trade bureau: "Using Resources of Mountainous Areas to Develop Exports"]

[Text] Foreign trade departments in all parts of our province, in line with foreign marketing requirements, are using the resources of mountainous areas to develop the production of export goods and stimulate the economic development of mountainous areas. The export goods provided by the counties in mountainous areas have already reached about 37 percent of the total goods purchased for foreign trade in the province.

The foreign trade departments, in line with the different characteristics of each area, jointly with other departments concerned have suited measures to local conditions and have helped communes and production brigades to set up production bases for the export of farm produce and sideline products such as oranges and tangerines, loquats, honey pears, Zhejiang shellfish [3181 6296], while chrysanthemums, rabbit fur, Xiaohu [1420 3275] sheepskin, rushes, and wicker. Taizhou Prefecture has enclosed tideland for cultivation and set up a base for exporting oranges and tangerines, with the key assistance in capital, goods and materials provided by foreign trade departments. Over 30,000 mu have already been developed. The Minzhu commune of Huangyan County has utilized the sandy and rocky land on its mountain slopes to set up an over 1,200-mu base for exporting canned loquats, and the commune members have already enjoyed benefits from it. This year each member of Production Team No. 12, Minghu Production Brigade, has received an average income of 145 yuan from loquat sales.

In their assistance to mountainous areas, the foreign trade departments have stressed helping some mountainous areas whose economic income is very low by using local goods and materials and making the most of their advantages in labor power to develop commune and household sideline occupations such as weaving, embroidering, and first working of bamboo. For example, in the Ningqi [1337 3305] district of mountainous Huangyan County, the commune members' income is very low, so the foreign trade departments have helped them to produce from bamboo bread skewers [mianbao qian 7240 0545 4687] for export to Japan and Greece. Last year their output value was 700,000 yuan, and this year it will reach 1 million yuan, causing the income from each 100 jin of mao bamboo to go from 3 yuan to 30 yuan. The foreign trade departments also strive hard to strengthen the promotion of sales abroad in order to make new contacts for the communes and production brigades. Since the beginning of

last year, in some mountainous areas where the processing of Qingzhi [3237 3059] bamboo shoots and Xianmao [0752 3029] bamboo shoots has been organized for export, the income of bamboo-growing areas has increased. The advanced production brigade of Changxing Meishan commune this year processed for export 42 tons of Xianmao bamboo shoots from which it received an income of 55,000 yuan, a per capita increase in income of 33 yuan.

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GENERAL

CHINESE 'ZIP CODE' ZAPPED

Headaches for Everyone

Beijing SHICHANG [MARKET] in Chinese No 24, 25 Sep 80 p 1

[Editorial: "Headaches for Everybody, Convenience to Nobody"]

[Text] Is the zip code of the postal service a good thing or a bad thing for the people? Is it a convenience or a burden to the masses? Just read the comments of the masses and the postal workers.

We selected a few letters from our readers' correspondence and published them in our paper No 23. Afterwards, we received still more letters from readers. Of so many readers none was in favor of the postcode. All of them said in one voice that it was convenience to somebody but headaches for everybody else. A copy of the postcode for one province costs about 2 yuan. A collection of codebooks for 29 provinces and municipalities is as heavy as a copy of the "Chinese Encyclopedia." When you write a letter, you must go to a post office and look through this "Chinese Encyclopedia." If you live in a village or a mountain area where there is no post office, you must make a special trip over a long distance. In some places, you must pay 2 cents each time to look through the codebook. There are thousands of families and households, who never writes a letter? Who will not scratch his head while looking for a zip code number?

The postal workers complained: In the statement that it was convenience to somebody but headaches for everybody, we should change one word, that is, it is headaches for everybody and convenience to nobody. The departments of posts and telecommunications are not prepared for the mechanization of sorting, the letters are still sorted manually. The sorters must look through the "Chinese Encyclopedia" countless times a day. The postmen are also very busy all day with the large number of additional puzzling letters. This code gives them no help but a lot of trouble.

We have learned our lessons in the past 30 years. Whatever reform involving millions of people we wish to carry out must be put to test first. Postal coding is related to all families and households in the entire country. The departments of posts and telecommunications have not even completed their scientific study on the mechanization of sorting, and have started to introduce the postcode throughout the country. They refused to listen to the strong criticism of the masses, and even turned a deaf ear to the objections of the postal workers. Without the

necessary conditions, they tried to carry out mechanization ahead of schedule. The people have no such need, and are not willing to do it. But they persisted in their action and forced the postcode on the people. Indeed, they are making a joke of the people's postal service. Isn't this modernization for the sake of modernization a proof of "production for the sake of production"? At present, the people want to stop it and give it up. Policy makers of the postal and telecommunication departments, what are you going to do about it?

Postal Code Not Working Out

Beijing SHICHANG [MARKET] in Chinese No 24, 25 Sep 80 p 1

[Article by Xie Rongzhen [6200 2837 6966]: "Postal Coding Won't Work"]

[Text] From 1 July the Ministry of Posts and Telecommunications has enforced postal coding throughout the country. On this matter, the masses have made many complaints. The postal and telecommunication departments have also put forward their own arguments. The majority of the people expressed their objections, and believed that the change was made too hastily and should be put to a stop at once.

According to your reporter's investigation, China is still not basically qualified for postal coding. The responsible persons of the postal administration thought that the adoption of postcode could introduce the use of machinery, carry out the mechanization and automation of mail sorting, and mitigate the labor intensity of postal workers. Their wish is beyond reproach. The question is that at present there isn't a single letter sorting machine ready for use. Shanghai and Shenyang each have a sorting machine, but both are still in the stage of scientific research. Even if they come out with success in the future, it will be very difficult for small cities to use them. Because the cost of construction is high, and the space for installation is big, only the big cities can use these machines in consideration of their economic results. In most parts of our country, incoming and outgoing letters will still be sorted manually.

As far as the masses of people are concerned, it is not only troublesome but also wasting time to look through the codebook for mailing a letter. In some places where the postcode is strictly in force, all letters with no code numbers are returned to their senders, to the dissatisfaction of the masses. The new envelopes and the codebooks also consume large quantities of paper and funds. Each province must compile a codebook which costs 2 or 3 yuan. For printing all the codebooks, it is difficult to tell how much money will be spent, and even more difficult to tell how many copies will be enough.

Rural Users Fed Up

Beijing SHICHANG [MARKET] in Chinese No 24, 25 Sep 80 p 1

[Article by Yang Sheng [2799 5116], Henan Province: "It's Too Much Trouble To Send Letters, the Peasants Cannot Endure"]

[Text] In June this year, all production brigades in rural villages of Yanling County held mass meetings, and the postal and telecommunication office sent its personnel to explain the matter of using zip code for letters. They were told

that it would begin from 1 July, and after 1 October all letters bearing no code numbers would be returned to their senders. This news schocked all the peasants. Those having relatives in other places at once wrote letters asking for code numbers. It was not yet 1 October, and some people had already had their letters returned. Some armymen's families asked other people to write letters for them, and by mistake used the code designation of military units as postcode numbers. Consequently, their letters were also returned. Then they were really exasperated, and tried to find code numbers from a post office. They could not find any in a small place and turned to a big place. In some places, the post office also seized the opportunity to charge fees. In effect, it increases the cost of mailing. For instance, the post office of Xuchang County put up a notification: "For the service of finding a code number, a fee of 2 cents will be charged." Postal coding increases the heavy burden on 800 million peasants. It's no wonder that many peasants complained: "It is so much trouble to send a letter, we just can't bear it."

Letter Sorters Overwhelmed

Beijing SHICHANG [MARKET] in Chinese No 24, 25 Sep 80 p 1

[Article by Gong Dacai [7895 6671 2088]: "The Letter Sorters Have Their Hands Full"]

[Text] Fan Shiren [5400 1709 0086], adviser to the Ministry of Posts and Telecommunications, carried out an investigation in Changchun about the work of postal coding. From the facts of the investigation, it seems that the introduction of postcode has brought about many difficulties to postal work.

A large increase of puzzling letters. As the postcode is too numerous and difficult to find, many letters were not written with proper code numbers. Some letters were written with only code numbers of addresses of the addressees without those of the senders, others had only code numbers of senders' addresses without those of the addressees. Still others had only code numbers but no addresses of both their senders and recipients. In some cases, the code numbers did not match with the addresses; otherwise, the code numbers were connected with the army designation numbers. Furthermore, the envelopes were not uniform in specification, words were written either in horizontal or in vertical lines, it was difficult to read. As a result, there were a large number of puzzling letters. Many of them could only be returned to their senders. In the past, the delivery section of Changchun post office handled 30 to 40 puzzling letters every day, after the introduction of postcode the number doubled, sometimes it increased to over 100 every day.

The letter sorters complained repeatedly. At first when people were talking about postal coding, the sorters thought that the work of sorting would be done by machines to save manual labor, and they were quite pleased. However, with the introduction of postcode, manual sorting according to Chinese characters continued as before. Chinese characters and code numbers were mixed up, not only was it not a bit more convenient, but also the sorters were confused and had many more troubles. There are so many code numbers for the whole country that the sorters cannot remember all of them and must look through the codebooks all day long. Moreover, the coding data are incomplete in all places, it becomes all the more difficult to handle letters with puzzling code numbers. The letter sorters remarked: "It is not that the machines have replaced us, but that we use our heads in place of the electronic computers."

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GENERAL

BOOK ON UNITED STATES MANAGEMENT TRAINING REVIEWED

Beijing RENMIN RIBAO in Chinese 25 Sep 80 p 5

[Article by Jin Gong [7246 7895] and Gao Hongfan [7559 1347 0416]: "Making an Evaluation By Using People As the Yardstick"]

[Text] Last October a Chinese industrial and commercial administrative and managerial delegation visited the United States to investigate American management education. It wrote a book, "How the United States Trains Enterprise Management Personnel" [Meiguo zenyang peiyang qiye quanli rencai], which has already been published by China Social Sciences Publishers. The book gives a rather detailed description of teaching objectives, specialized facilities, curriculum, teaching methods, and research work, and of the professors and students in American management schools, and devotes a special chapter to training of management personnel in United States companies.

As our country's socialist modernization construction has developed, it has required that at the same time as we train a large contingent of scientists and technicians we also train large numbers of economic and management personnel. Not long ago, the Central Committee Secretariat proposed "energetic development of the science of training economic and management personnel," and now educational circles are enthusiastically discussing higher education reform and implementing the Central Committee directive. At such a moment, it is of some benefit to have an understanding of these activities and the experience gained in them in the United States.

First, the effect of management and management education in U.S. economic development.

Management education began to develop relatively early in the United States, the Wharton School at the University of Michigan was founded in 1881, and already has a hundred-year history. Currently 600 American universities have management schools or departments, with 700,000 students in the departments and 100,000 graduate students; these two groups account for 80 percent of the total number of students in the schools. Management education has provided an important stimulus in America economic development. The importance of management education stems from the importance of management. The United States is a capitalist country, and when it entered the monopoly capitalist stage, its contradictions become more severe. How could the U.S. economy still develop under these circumstances? It must be pointed out that its development is inseparable from its

stress on management and energetic improvement of management. The effect of management on U.S. economic development shows up primarily in three areas: (1) Easing of class contradictions. By improving management the U.S. attempts to mitigate the contradictions between the proletariat and bourgeoisie. The "behavioral sciences" management theories current in the United States stress the use of various methods to put interpersonal relationships on a good footing and to mobilize workers and staff members' production enthusiasm. (2) To mitigate the contradiction between organized production in the individual enterprise and the anarchic state of production in society as a whole. For example, U.S. enterprises use such methods as determining production in terms of sales in an effort to make their production adapt to market needs. (3) Improving production efficiency and economic return. The United States' production efficiency and economic return are relatively high; as a result of both, scientific and technical progress and good management work.

An analysis of the effect of management in U.S. economic development helps us to gain a profound understanding of the importance of management and management education. Our socialist economy has immense advantages over a capitalist economy, but there are also various kinds of contradictions in the socialist economy, such as the problem of interpersonal relationships within the enterprise, the problem of matching enterprise production to social needs, the problem of bringing together manpower, material resources and financial resources, and the like, all of which must be harmonized and solved through management. In order to bring the superiority of the socialist system thoroughly into play, we must devote even greater attention to management and management education.

Second, how the United States brings management education into intimate connection with management practice.

The reason that U.S. management education can have a relatively large effect is that it is closely linked to management practice. The book systematically describes the United States experience in connecting management education with management practice. The main experience in this area is as follows: (1) Management schools train the kind of personnel which enterprises and public organizations need. (2) In order to train management personnel, they make a strong effort to train teachers who can train these people. (3) They combine engineering and technical education with economic and managerial education in order to adapt to the development of science and technology. (4) Such methods as case studies, conferences and visits, and management simulation games are used in an energetic effort to develop the student's ability to analyze and solve actual problems. (5) In order to closely link management education with research in management science, management science lays great stress on investigating pressing problems of management practice. (6) Ties between schools and enterprises are strengthened and professors in management schools constantly do consulting work for corporations, while high-level corporate management personnel teach courses in the school. We can benefit from all these types of experience.

Third, how the United States trains management personnel through various approaches.

One of the main characteristics of U.S. management education is its diversity. This makes it possible to train management personnel needed in every area, and to train a relatively large number of people in a relatively short time. According to the

description in the book, this diversification is manifested in various ways: (1) A variety of units engage in it. In America not only are there specialized management schools, but large companies have also set up management personnel training centers. A management education network has already been set up in the United States. It is based on university management schools, interwoven with large corporate training centers, while two-thirds of the management schools also hold refresher courses or specialized study groups for persons already in management jobs, while the relevant management science societies and research groups also hold brief training classes and specialized study groups. (2) Diversity of study arrangements. There are university majors, MA programs, PhD programs and the like. After graduation a student may work for a time, then return to school for more study, choosing the courses he needs. (3) Diversity of course curriculum. Courses are divided into required and elective, which a student may take according to regulations, and no effort is made to unify teaching materials of courses of the same type. Each school can proceed on the basis of its own conditions and bring out its own strong points. (4) Diversity of work-study programs. Tuition is very expensive in U.S. colleges, and accordingly many students work and study at the same time, so that work-study programs have become common practice. Many students whose families are well off are also willing to work and study at the same time so as not to be dependent on their parents. In combination with this work-study system, many universities also, have a flexible course credit system, in which when the student has earned the specific credits he graduates, while the time limit is not fixed.

The book claims that in comparison with the diversity of U.S. management specialties, our country's education is too "standardized." This country's management education system should specify certain necessary unified standards, but should also permit each school to develop its own special characteristics so as to bring fully into play the school's and faculty's initiative and creativity. The failure to reform the current educational system makes it very difficult to train large numbers of high-quality economic and management personnel.

Fourth, economic and management personnel should be able to do both management and administration.

The book introduces and analyzes the historical development of American management science and education. Through this description we can see that U.S. companies and enterprises have increasingly stressed administrative problems. We generally regard management and administration as the same thing, whereas in reality they are both interconnected and separate. Currently American administrative education focuses on training high level administrative personnel at the corporate presidential and vice presidential level, who not only are able to manage the various activities within a company, but also can propose projects, make decisions, and respond to domestic and international situations and market changes, so that they have a decisive effect on the quality of management in U.S. companies.

The book also analyzes class limitations in U.S. management education and some of its current problems, and offers opinions on how to learn analytically from U.S. management education experience. The writers believe that we cannot, on account of the essential differences between management of the socialist enterprises and of the capitalist enterprises, neglect studying what is useful to us in the

management experience of the capitalist enterprise; nor can we study the things that are useful to us in capitalist enterprises management and neglect the essential differences between socialist and capitalist enterprise management. The book also proposes some specific suggestions for accelerating this country's training of economic and management personnel, based on our specific circumstances and taking into account the lessons of U.S. enterprise management education, which has a certain reference value as regards our country's development of management education and improvement of management and administrative standards.

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BRIEFS

ZHEJIANG ECONOMIC JUDICIAL MEETING--The first Zhejiang provincial meeting on economic judicial work concluded on 24 October. In view of the current situation in the province, the meeting pointed out that priority should be given to the settlement of disputes concerning contracts for production and economic construction and to the punishment of economic crimes. In November last year an economic court was established by the Zhejiang Provincial Higher People's Court. Thereafter, nine intermediate people's courts and two basic-level people's courts also set up economic courts. They have thus far handled 21 economic cases. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 24 Oct 80 OW]

XINJIANG FIRE PREVENTION CONFERENCE--The Xinjiang regional conference on winter fire prevention was held in Urumqi 23-25 October. The conference urged public security organizations in all localities to formulate winter fire prevention plan, conduct education on fire prevention, strictly enforce fire accident law and strengthen the leadership over the contingent of fire fighters. The conference was jointly sponsored by the regional committee on fire prevention and regional public security bureau. A-mu-dong Ni-ya-zi, vice chairman of the regional people's government and chairman of the regional committee on fire prevention, attended and addressed the conference. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 28 Oct 80 OW]

LIAONING SMUGGLING--Smuggling and reselling of foreign goods have become rampant lately in some areas of Liaoning Province. The Shenyang and Dandong customs and the provincial and commercial administration bureau have decided to work together to stop these activities. [SK250933 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 24 Oct 80 SK]

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[Article by Wu Ninggeng [1566 1380 5087]: "The Struggle to Establish a New International Economic Order"]

[Text] It is an eager desire of all the Third World nations to destroy the old international economic order and to establish a new and equal one. They raised this banner in the global arena for the first time at the historic Sixth Special Conference of the United Nations convened in April, 1974. The "Declaration on Establishing a New International Economic Order," adopted at the conference, solemnly stated: "We unanimously resolve to struggle for promptly establishing a new international order." It shows that the poor, small and weak nations, which constitute the majority of the world's population, have resolved to safeguard their own interests, to take their destiny into their own hands and to battle against the irrational old international economic order.

Since the Sixth Special Conference of the United Nations, there have been struggles varying in scope and realm for establishing a new international economic order, and they have become the predominant issue in the international arena, in particular in the economic relations between the developed and developing nations. For many years, most of the conferences on problems of development convened by the United Nations and its agencies have been related to the new international economic order. The 11th Special Conference of the United Nations, to be convened this year, will be another important conference at which world economic problems will be emphatically discussed. This conference will discuss adopting the UN's 3d 10-year strategy for development and will plan a new round of international economic negotiations.

Since the 1970's the Third World has displayed colossal material and spiritual strength in the struggle for establishing a new international economic order, and this has aroused great concern in the press and in academic circles worldwide. On the other hand, the complications and complexity of this struggle over the past few years often evoke worry and doubts about the prospects of the struggle. Therefore, it is necessary to expose in detail the historical roots of the struggle for a new international economic order and to correctly assess the achievements and problems of this struggle.

I

One basic Marxist principle is that man's social being determines his consciousness and that the mode of material production places a constraint on the whole process of

social, political and cultural life. Marx said: "We cannot base our judgment of this era of changes on its consciousness either. On the contrary, this consciousness must be explained by the contradictions in material life and the current conflicts between society's productive forces and production relations." ("Selected Works of Marx and Engels," Vol 2, p 195) Similarly, when discussing the roots of the struggle for a new international economic order, we should not view the struggle as some fortuitous invention by a few eminent persons in the Third World nations either, but should discover the roots of this struggle in the contradictions and conflicts inherent in the old international economic order, which has been dominating international economic relations.

The old international economic order is essentially a world economic system in which the imperialist financial oligarchs control, plunder and exploit most countries in the world, in particular the Asian, African and Latin American countries. Lenin said that the most profound economic foundation of imperialism is monopoly and the monopolistic rule by the financial oligarchs. In the epoch of imperialism, "financial capital is an enormous force which can be said to play a decisive role in all economic relationships and all international economic relations." ("Selected Works of Lenin," Vol 2, p 803) A few financial oligarchs not only dominate every realm of social life in the capitalist countries, but by exporting capital they monopolize trade, establish international financial institutions and groups, spread massive networks of financial capital over the whole world and create a world economic system controlled by a few imperialist powers.

Of course, the formation of this old international economic order or system was a long process of historical development. The first industrial revolution in the late 18th century was the starting point in the formation of the old international economic order and marked a qualitative change in the economic relations between the Western capitalist countries and the Asian, African and Latin American countries. Previously, although the Western colonialists extorted huge fortunes from the Asian, African and Latin American peoples through actual plunder, slave trade and deceptive trade, such predatory acts were characterized by the cruelest brutality. At that time, international trade contacts as well as their effects on the economies of various countries were very limited. The situation changed after the large-scale industries with their machines appeared. The tremendous development of productive forces not only called for a continual expansion of domestic and foreign markets and of sources of raw materials, but also enabled the bourgeoisie of the West to smash the "great walls" of all ancient nations with their cheap commodities, involving these nations in international division of labor and exchange. For example, after 1757, when Britain conquered Bangladesh, the British colonialists extorted the wealth of the Indian people by robbing the national treasures in various parts of India, collecting land taxes and monopolizing the opium and salt trades. From the 19th century onward, Britain gradually changed over to adopting trade as the principal means of plundering India. Consequently, India, which had been renowned as "the motherland of cotton textile goods," changed over to exporting raw cotton to and importing cotton fabric from Britain. "Britain's steam and science has completely ruined the combination of agriculture and handicraft industry all over Hindustan." ("Selected Works of Marx and Engels," Vol 2, p 65) India became Britain's appendage, supplying food and raw materials. Thus, even at the stage of formation, this capitalist world economic system displayed a strong predatory nature as well as anomaly and coercion.

The transition from laissez-faire capitalism to imperialism also marked the consummation of a unified, all-embracing world economic system. It was also made possible by a series of changes in the productive forces and production relations. The second industrial revolution, which began in the 1870's, enabled society's productive forces to leap forward anew. A series of new industries appeared, like car manufacturing, electric power, telecommunications and telephone, chemicals and the metallurgy of nonferrous metals. Many existing industries were transformed and expanded. Numerous new products were supplied to the market. The economic links among nations greatly developed, both in depth and extent. Moreover, objectively, the new productive forces necessitated the accumulation and concentration of capital in production, and this process was greatly hastened by incessant fierce competition at home and abroad. Consequently, at the turn of the century monopoly dominated all the principal economic sectors in the developed countries. To win in the competition, imperialist monopoly capital had to endeavor to monopolize the sources of raw materials, markets and investment outlets abroad, so that it became a basic economic characteristic of imperialism to scramble for colonies and carve up the world's territories. The establishment of colonial systems and of the monopolistic rule over the world by a few financial capitalists resulted in imperialism becoming "a world system in which a very small number of 'advanced' nations inflict colonial oppression and financial control on the majority of the world's inhabitants." ("Selected Works of Lenin," Vol 2, pp 733-734) This was the core and main content of the old world economic system.

Thus, the formation of this old world economic system reflects a process of historical development marked by contradictions. Objectively, this system represented a progressive trend. It was an inevitable result of the development of the productive forces and the internationalization of the modes of production and exchange. Moreover, this system developed in the particular form of capitalism and imperialism. It inevitably brought about various contradictions and antagonisms. Consequently, the oppressed nations had to struggle to free themselves from the fetters of imperialism.

It has been nearly a century since the consummation of the old world economic system. Many major changes in the international scene have affected the scope, content and form of this system in various ways. However, on the whole, the essence and basic content of this system have not changed and still embrace the components described below.

First, it includes a system of international production based on capitalist international division of labor. The essence of such a division of labor is that production and consumption in the Asian, African and Latin American countries must suit the needs of a few developed capitalist countries; that is, the former must produce the raw materials and agricultural products needed by the latter and purchase their industrial products. This system of international production was strengthened when the imperialist colonial system was established. Production and consumption in the Asian, African and Latin American countries have since then been completely determined by the interests of imperialist monopoly capital. Through the export of capital, the imperialist monopoly capitalists control the production of raw materials in those countries as well as their marketing and transportation. By means of trade barriers, the monopolists restrict those countries' industrial development and diversification in production. By monopolizing technology, they

maintain their control over raw material production in those countries, and so on. They even practiced this system repressively through the authority of colonial rule.

The situation has not changed radically even till now. The vast numbers of Third World countries still mainly export primary products. Although the monopolist corporations of the developed countries have transferred some industries employing a great deal of labor or causing pollution to some developing countries and regions, even the few developing countries that enjoy relatively rapid industrial development are still highly dependent economically.

Second, the system includes an international trade system based on the monopolization of the world market by the developed countries. The developed countries monopolize the world market because of their central position in the system of international production. Such monopolization is markedly reflected in prices. For a long time the developing countries have had no power in determining prices in the world market. The monopolist corporations of the developed countries sell their industrial products to the developing countries at high monopoly prices and purchase their primary products at low monopoly prices. Moreover, this kind of exchange at unequal value is enhanced by the governments of the developed countries, whose economic and technological aids are fetters in disguise, and by the transnational corporations of the developed countries, which carry out business activities in the developing countries, monopolize shipping and insurance, hoard primary products or dump them on the market, and so on. Moreover, because economically the developing countries are highly dependent on the world market, the developed countries can create serious difficulties and chaos in the economic life of the developing countries by monopolizing the world market or restricting their imports from or exports to the latter.

Third, it consists of an international monetary and financial system based on the monopolization of the international financial system by the developed countries. In the stage of imperialism, banks are the omnipotent monopolist and central nervous system in the entire economic life as well as the nucleus and mainstay of the old international economic system. The transnational banks of the developed countries penetrate deep into every corner of Asia, Africa and Latin America. There, through lending money, investment and other activities, they set up few enterprises, take over the local enterprises and even manipulate the financial and economic life of the countries they are in. In these activities they are often strongly backed up by their own governments.

Moreover, the economies of the developing countries are seriously affected by the entire international monetary system. Generally speaking, countries which play a leading role in the world economy and world trade are also the world's financial centers, and consequently their currencies become the principal international currencies. In such a system the Asian, African and Latin American countries are in a completely dependent position. They are not only affected by changes in the exchange rates of the currencies of the developed countries they depend on, but are also affected by changes in the exchange rate of the currently dominating international currency. For example, some developing countries in the franc area and sterling area often suffer from fluctuations in the exchange rate of the dollar.

Fourth, the system includes various international economic agencies and agreements. Examples include the postwar GATT, the World Bank, the IMF, the World Intellectual Property Organization and so on. For a long time these agencies have been manipulated by a few developed countries and have served their interests.

To sum up, monopoly is the economic essence of the imperialist system as well as the essence of the old world economic system. The monopolist rule extends to every domain of this system, whether it be the domain of production, exchange, or money and finance. Export of capital is the most important lever and material foundation that keeps this system working. The most essential characteristic of the economic relationships between the developed and developing countries in this system is one side controlling and exploiting the other. Because of such relationships, the gap between the poor and rich countries is continually widening and the developing countries remain poor and backward for a long time. The reality of life over the past few centuries, in particular over the past century, has taught the vast numbers of developing countries to gradually realize that to become independent, to survive and to develop, they must break down the old international economic order and strive for a new international economic order which is equal and just.

II

A further question is: why did the struggle for establishing a new international economic order not appear before World War II or shortly after it, but instead appeared only in the 1970's? To answer it, we must analyze some major factors of international significance which have directly affected the relationships between the developed and developing countries since the war.

A prominent feature in the development of the postwar international situation is the general awakening of the Asian, African and Latin American peoples. Their struggles for national independence have engulfed the whole world on an unprecedented scale. The storm of national liberation movements first appeared in Asia soon after the war. The great victory of China's revolution in 1949 and the convening of the Bandung conference of Asian and African nations in 1955 greatly enhanced the confidence of the Asian, African and Latin American peoples in achieving victory in fighting for national independence and liberation. Late in the 1950's, the sleeping Africa became an awakened continent. The Asian, African and Latin American peoples continually achieved victories in their struggles. On this basis, over 90 nations gained political independence within a short span of 30 years or more after the war. This is a fact of great historical significance. Thus, the "Declaration on Establishing a New International Economic Order" stated: "The greatest and most important achievement over the past few decades is that many nations and countries have freed themselves from external colonial rule and have become independent."

However, this political process has not been accompanied by complete economic independent and development for the Asian, African and Latin American countries. Old imperialist influences have not been eradicated in these countries. In addition, imperialist hegemonism has desperately expanded into them, adopting new colonialist strategies such as economic infiltration, political subversion and even military aggression. The imperialist hegemonist states attempt to continue to use them as places for producing raw materials, markets for commodities, outlets for investment,

objects for shifting crises onto as well as the bases and tools for scrambling for world hegemony. Thus, many Asian, African and Latin American countries continue to suffer from political instability and face the grave threats of aggression, control, interference and being bullied by imperialist hegemonism. Moreover, dominated by the old international economic order, most developing countries suffer from worsening economic and trade situation. The relevant facts are described as follows.

1) During the 20 years or more from the end of the war to the early 1970's, the exports of the Asian, African and Latin American countries grew very slowly, their terms of trade worsened continually and their status in world trade fell continually. Because the elasticity of demand for primary products is low and the competition from substitute commodities rather strong, because the developed countries set up many barriers against certain primary and manufactured products exported by the developing countries, and in particular because the developed countries monopolized the international market and tried through all means to lower the prices of primary products, from 1950 to 1973, while the volume of export trade for the whole world increased 8.4 times from $60.7 billion to $570.1 billion, the exports of the developing countries (not including China) increased merely 4.4 times from $18.8 billion to $99.4 billion. Their share in the world export trade correspondingly diminished from 30.5 percent to 17.4 percent. (Xu Naijiong [6079 0035 3518] and others: "Imperialism's control over and exploitation of the Third World," THE PEOPLE'S PRESS 1978 Edition, p 48.)

The developing countries (excluding China and the principal oil producing countries) enjoyed a surplus of nearly $300 million in their import and export trade, but in 1973 their trade deficit had risen to $12 billion.

2) Since the war the transnational corporations of the developed countries have flourished on a broad scale and have strengthened their economic infiltration into the developing countries. These corporations possess huge capital, good information, advanced technology and business expertise. They spread their branches over the whole world and enjoy the support of their own governments, and they benefit from widespread social influences in their places of operation. Thus, they enjoy great advantages in controlling production and markets in the developing countries, in plundering the local raw materials, in reaping high monopoly profits (in the form of profits, bonuses, dividends, royalties and so on), and so forth. For a very long time in the past, transnational corporations not only controlled the economic lifeblood of many Asian, African and Latin American nations in differing degrees, but also very often took advantage of their enormous political and economic strengths to brutally interfere in the internal affairs of the developing countries, or ever to engineer the subversion of their governments. They became "independent states within those countries."

3) Deteriorating economic conditions and sustained deficits in the balance of payments led to increasingly heavy external debts. Since the 1960's, official aid from the developed countries have decreased continually. With a few exceptions, most of them did not attain the targets set by the United Nations for 10-year development. The aid provided by all the member states of the development aid committee decreased from an average of 0.52 percent of their gross national products in 1961-1962, to 0.3 percent in 1973. Consequently, the developing countries had to obtain loans at very high interest rates from private financial markets, and this

increased their burden of repayments and interest payments. According to surveys by the World Bank, the outstanding debts of 86 developing countries increased from $38.07 billion in 1965 to $99.38 billion to 1972, or 14.7 percent annually. In 1972, the loan repayments plus interest payments amounted to 57 percent of that year's new external debts. Many countries had to settle debts by paying an equivalent of 20 percent or more of that year's value of exports.

In the 1970's, the developed countries could never again enjoy the relative stability experienced after the war. The capitalist world experienced wild turbulence in the realms of production, trade and money and finance, and this turbulence violently pounded at the developing countries.

First, the international monetary system, with the U.S. dollar taken as the key currency after the war, broke down completely. Crises of the dollar broke out repeatedly in the 1960's, leading to the disintegration in the early 1970's of the international monetary system which had been established according to the Bretton Woods Agreement. From then on, international monetary and financial relations entered an era of greater chaos. The disintegration of the old international monetary system, coupled with the repeated devaluations of the dollar and some other currencies (such as the pound sterling), led to the devaluation of the developing countries' holdings of the dollar and other foreign currencies. Their real income from exports, whose value was quoted in the dollar, decreased, while their external debts increased because the gold clause was frequently added.

Second, "stagflation" afflicted the economies of the developed countries. During 1973-1975, the gravest postwar economic crisis broke out in the capitalist world. Since then the economies of the developed countries have been suffering from "two high's and one low," namely, high unemployment rates, high inflation rates and low economic growth rates. The developed countries have strived to export inflation to the developing countries through the export of various commodities and services. In addition, they practice more severe trade protectionism and shift their economic crises to the developing countries.

Lastly, because of world inflation and the prolonged depression of oil prices by the monopoly capital in the old industry, OPEC seized the power to set oil prices in 1973 through their struggles and then considerably raised the oil prices. Coupled with the fact that the international monopoly capital took this opportunity to raise the prices of goods, the higher oil prices aggravated world inflation and brought about greater difficulties for those non-oil producing countries. In 1975, their trade deficits totaled $41.5 billion, an increase of 2.5 times over 1973. (United Nations: "Statistical Handbook of International Trade and Development," 1977 Supplement, pp 34-35.) The developing countries' external debts also increased rapidly after 1973. The average annual increase was around $20 billion between 1971 and 1973, and $40 billion between 1973 and 1977. In 1977 their external debts had increased to $285.2 billion. ("World Bank Annual Report," 1979.)

On the whole, the major changes in the international economic situation since the 1970's fully illustrate that various links of the old international economic system have got into crises. The restructuring of this old, irrational international economic system was finally urgently put on the daily agenda of history. The main force propelling this historical advance was the vast numbers of oppressed and exploited their world countries.

Of course, the struggle of the Asian, African and Latin American countries and their peoples against imperialist control and plundering did not start recently. The development of this struggle has been closely related to the development of the international political and economic situation mentioned above. Generally speaking, this struggle has undergone several stages of development as described below.

1) The period before 1955 was one of spontaneous struggles. Even before World War II, some countries, in particular some Latin American ones, had struggled against imperialism and foreign capital in order to safeguard national economic interests and to develop their national economies. Such struggles continued to develop after the war. For example, in 1951 the Iranian Government nationalized the British Iranian Petroleum Corporation, which had controlled Iran's economic lifeblood for a long time. In 1954 the Government of Guatemala confiscated several hundred thousand hectares of land which had for a long time been forcibly occupied by the "green devil," the United Fruit Corporation. To a certain extent such struggles dealt a blow to the imperialist forces in these countries. However, the struggles during that period were still spontaneous and scattered, not yet forming a global movement, so that foreign monopoly capital could often suppress the struggles of the Asian, African and Latin American states with the help of the governments of their own countries.

2) The period from the Bandung Conference of Asian and African nations to UNCTAD I was one of propaganda and organization. The convening of the Bandung Conference in 1955 was a historical event of global significance. After adequate discussion and after seeking common ground while reserving differences, the conference not only decided on economic cooperation and adopted a declaration on promoting world peace and global cooperation, but also for the first time voiced the demand to alter the old international economic system and to achieve economic independence. Our government representative, Premier Zhou Enlai, spoke at the conference: "We want not only political independence but also economic independence...We demand a change in the situation in which the Western colonialist countries exploit the oriental backward countries. We demand the development of an independent and autonomous economy for each Asian and African country. Striving for complete independence is the goal for the long term struggle of the majority of our Asian and African states and peoples." (RENMIN RIBAO, 19 April 1955) The resolutions and the famous 10 principles of Bandung, adopted at the meeting, pointed out the direction and road for waging the anti-imperialist struggle in depth in the economic domain.

Enhanced by the spirit of the Afro-Asian conference, the unity and struggle of the Asian, African and Latin American nations were markedly strengthened and gradually consolidated into a unified force. In September 1961, initiated by Yugoslavia and some other countries, the first conference of the heads of nonaligned countries was convened in Belgrade. To be able to "speak with one voice," the developing countries organized themselves into a "77-nation bloc" at UNCTAD I in 1964. In the "Declaration" it was stressed that they should "adopt all possible methods to increase contacts and talks among themselves, to facilitate establishing common goals and formulating programs for concerted action in international economic cooperation." The establishment of the "77-nation bloc" signified that the developing countries had taken a road of allied struggle in the international economic field. Moreover, during the 1960's the developing countries also formed many important organizations of raw material producing countries or exporting countries as well as regional or semi-regional organizations for economic cooperation.

3) After 1964, there was a period in which allied struggles were launched and gradually developed into a climax. The main problem in this period was to formulate a common program for struggle and to look for some material means of struggle against the developed countries. International monopoly capitalists were invariably believers in real strength. What effective weapons could the developing countries possess? One was unity and another was raw materials.

Actually, the developing countries learned to use the raw materials weapon from the developed countries. By organizing various overt and covert alliances, Western monopoly capital had for a long time monopolized the marketing of raw materials and depressed raw material prices. If so, why could the developing countries not give tit for tat and deal with them in the same way? In the 1960's, using raw materials as a weapon, the developing countries launched struggles both on the domestic and international fronts. A more marked struggle was that of OPEC, which was formed in 1960. Their struggle started with fighting for higher oil prices and gradually developed into participating in the shares of the enterprises and into nationalizing oil companies operated by foreign capital. The climax of this struggle appeared in 1973. The oil struggle not only safeguarded their own national economic interests, aggravated the capitalist world's political and economic crises and catalyzed disintegration within the developed countries, but more important, it manifested the strength of the Third World nations when they fought in unity as well as the power of the raw material weapon.

Since the mid-1960's, the Third World countries have also worked hard to formulate a common program for struggle. At UNCTAD I the delegates of the developing countries put forward the idea of establishing a new and just world economic order. At subsequent UNCTAD meetings, the scope of discussion gradually expanded from the realm of trade to various other economic realms, such as resources, trade, industrialization, money and currency, ocean rights, shipping, insurance, technological transfer, aids and debts, restructuring of the international economic structure, and the most underdeveloped countries and so on. Actually, UNCTAD has not only become the center for discussing and conducting negotiations on various problems concerning the new international economic order, but is also the place where some new ideas and new plans and methods originate.

During the 1970's, the emphasis of the nonalignment movement and anti-imperialist anticolonialist struggle changed markedly. The third conference of heads of nonaligned countries began to pay attention to various modes of behavior of imperialism and colonialism in the international economic field. The conference adopted the "Declaration on Nonalignment and Economic Development." At the fourth conference of the heads of nonaligned countries convened in Algiers in 1973, international economic issues occupied a dominant position. The basic contents of the "Economic Declaration" and "Program for Economic Cooperation and Action," adopted at the conference, were subsequently incorporated into the "Declaration" and "Program for Action" adopted at the Sixth Special UN Conference.

Thus, on the eve of 1974, the whole international political and economic situation, in particular the situation of the struggle of the Third World against imperialism and hegemonism in the international economic field, reached a new turning point. The banner of a new international economic order was hoisted against this background. It marked the entrance of the Third World's anti-imperialist and anticolonialist struggle into a new era of development.

III

Since the Sixth Special UN Conference, the struggle of the Third World for establishing a new international economic order has undergone a tortuous process of development. In 1977, when the talks at Paris between the North and the South ended in failure, the struggle degenerated from its climax into a stalemate. Therefore, people ask: How should we assess this struggle? What will be the trend of its development?

The first problem involved here is the goal of struggle. This is also one that the international academic circles are arguing about rather enthusiastically, because on one hand, the developing countries have common experiences and face the same tasks, so that they have common interests and demands in their struggle for establishing a new international economic order. On the other hand, their conditions are very complicated. They differ vastly politically, economically, socially, historically, culturally and so on. Therefore, they differ in their understanding of the new international economic order. For many years, the delegates of many Third World countries have said that the ultimate aim of the new international economic order is to free their countries from imperialist control and exploitation and achieve economic independence and emancipation. (Boumedienne, the late Algerian revolutionary committee chairman, said at the fourth conference of the heads of nonaligned countries: "The basic aim of the African, Asian and Latin American countries is to struggle against the new forms of rule and exploitation," and "the security of such countries as ours must be achieved through economic emancipation, eliminating the oppression and exploitation by monopoly capital and gaining real national independence." (RENMIN RIBAO, 7 September 1973) In the opening speech of the fourth conference of ministers of the "77-nation bloc," convened in February 1979, the Tanzanian president said: "Our aim is to completely emancipate the Third World nations from external rule. This is the basic contention of the new international economic order. Unity is our means, and our sole means, of achieving emancipation." He also said: "Our aim is to achieve economic emancipation. This goal allows no compromise.") However, judging from the "Declaration on Establishing a New International Economic Order" and from the specific content of the contemporary struggle, the immediate target of the new international economic order is to safeguard national economic interests and to reduce and alleviate the control and exploitation of imperialism, thus creating an international environment more favorable to promoting the developing countries' economic development.

Therefore, judging from the historical and dialectical points of view, although some complications have occurred since the late 1970's, we must not underestimate the achievements of the Third World's struggle for establishing a new international economic order. The chief achievement is that within a short span, the Third World nations have achieved unity and pounded at the old international economic order for the first time, making some very significant progress in some respects.

Since the 1970's, the Third World nations have discussed many aspects of trade and development problems within such international agencies as the UN Trade and Development Organization, in GATT and so on. The generalized system of preferences has now been accepted by the developed countries. After many years of talks and struggle, basic agreements have been reached on the matters of comprehensive commodities program and common funds, and the commodity agreement on rubber has been signed.

Through bilateral talks, some developing countries have signed relatively favorable economic and trade agreements with some developed countries. Examples are the two Lome Agreements signed in 1975 and 1979 between the group of African, Caribbean and Pacific region countries and the EEC. In particular, OPEC was the first to breach the old international economic order. Other organizations of raw material producing countries have also had achievements in varying degrees.

To safeguard the ownership of their own national natural resources, the Third World countries have reached and will reach agreements with the developed countries in formulating "The Code of Conduct for Transnational Corporation." "The Code of Conduct on Technological Transfers" and "The Code of Conduct for the Union of Scheduled Liners," as well as in amending the "Treaty on Marine Cargo Transport." This will be beneficial to restricting the illegal activities of transnational corporations and to safeguarding the developing countries' interests. The internal policy of many developing countries is to exploit foreign capital and technology and at the same time to make many policies and laws for supervising and restricting foreign enterprises. Many countries have nationalized foreign enterprises and increased their own equities in them.

Economic cooperation among the developing countries has increased considerably. To achieve collective self-reliance and reduce their dependence on imperialist countries, the developing countries have formed more than 20 regional and semi-regional economic unity organizations. Some of these organizations cut tariffs within the regions and some even adopt common tariffs in external trade. Some organizations, such as Andean Group and ASEAN, not only actively coordinate the economic planning and policies of various nations and practice various kinds of economic cooperation, but promote internal discussions and unite their members against the enemy in the face of the threatening aggression and expansion of Soviet social imperialism. Moreover, some developed countries indicate their willingness to continue their "dialogue" with the Asian, African and Latin American states because they depend considerably on the raw materials from the developing countries and need to unite the Third World to oppose Soviet aggression in their politics.

Even in the monetary and financial domain which is tightly controlled by the developed countries, conditions are changing. To study the restructuring of the international monetary system, the developing countries for the first time joined the HHK Panation Committee set up by the IMF and later the Interim Committee. In 1976, according to the agreement reached at the Jamaica Conference of the IMF, the shares and voting rights of the developing countries in the IMF were increased. In addition, in recent years the IMF has provided new capital fund facilities such as petroleum loans, medium term loans and trust fund loans, as well as raised the limits on ordinary loans, export fluctuation loans and loans as a buffer for stocks. Some developed countries even wrote off the debts owed by some of the most under-developed countries.

All those things mentioned above are conducive to promoting the developing countries' economic development and to alleviating the effects of stagflation which originates in the capitalist world and the effects of fluctuations in the international monetary and financial markets. To a certain extent those things have improved the developing countries' status in the world economy and world trade.

Of course, because this struggle involves major changes in international economic relations, it inevitably encounters resistance from many sides. Major breakthroughs have not been achieved in the talks between the developed and developing countries about economic and trade problems. Those achievements already won not only considerably fall short of the requirements of the "Declaration" of the Sixth Special UN Conference, but they do not markedly help reduce the economic difficulties of most developing countries, in particular the most underdeveloped ones. These are also objectives facts.

The major factors hindering the smooth development of this struggle are described as follows.

1) With regard to sabotage and obstruction by Soviet social imperialism, since the 1970's the Soviet Union has not only quickened its expansion in Asia, Africa and Latin America, striving to break up the consolidation within the Third World, but has persistently played the trick of disguising sabotage with support in the struggle for establishing a new international economic order. In most questions it has objected to the developing countries' reasonable proposals and has refused to undertake obligations. For example, it has unreasonably rejected such issues as expanding the scope of the generalized system of preferences, accepting payment with various exchanged currencies in trade, carrying out the UN's development strategy concerning official aid targets for the developing countries, writing off part of the debts owed by the developing countries and so on. On the question of the common fund, the Soviet Union is not ready to contribute its due share. It obstructs the developing countries in their proposal to hold global talks. However, it attempts to gain the privilege of the "most favored nation treatment" in international talks with the arguments of "opposing discrimination" and "expanding East-West trade." Obviously, the Soviet Union's expansionism and sabotage not only seriously harm the stability and development of Asia, Africa and Latin America, but also directly menace the establishment of a new international economic order.

2) The developed countries, in particular the United States, tend to put off certain rational demands of the Third World countries. In recent years, although the United States has abandoned its past attitude of rigidity and has indicated that it accepts the concept of the new international economic order, it tries, nevertheless, to safeguard its vested interests with the method of delaying under the pretext that its economy is slack. Some second world countries also often follow the United States on some questions out of their own interests. They are willing to help effect partial solution of problems by arranging one "bloc" to deal with another "bloc." Although this shows that they wish to help reduce the contradictions among developing countries, it also indicates an intention to break up the solidarity of the Third World.

3) Different countries have different specific conditions, and therefore their interests differ when they are faced with specific problems. Moreover, imperialism, in particular the Soviet Union, has incited dissension among them. Therefore, over the past few years the contradictions among the developing countries have sometimes been rather significant. When economic development is rather smooth or when the struggle is at high tide, some contradictions are temporarily overshadowed, but when the economic situation deteriorates, for example, when higher prices cause difficulties as has been the case in recent years, or when the struggle is in a

deadlock, the tendencies of passive waiting and inaction and caring only about the interests of the part at the expense of those of the whole may appear and grow. Obviously, to some extent this weakens the strength of the developing countries in uniting to struggle.

To sum up, because the old international economic system had been formed over a long period of exploitation of the Asian, African and Latin American countries and peoples by imperialism and colonialism, this old system can definitely not be completely restructured at a stroke. In particular, at present the economic strengths of the two parties differ vastly and some complications have again occurred in the international political and economic relations, and therefore the struggle will be along term one. However, an increasing number of countries in the world have now realized that because the world economy is marked by increasing interdependence among nations, establishing a new international economic order based on equality, mutual benefit and cooperation is not only conducive to the Third World countries' economic development, but is also conducive to the economic growth of the developed countries and to maintaining world peace. Therefore, no matter how tortuous the road of struggle is, if the Third World countries strengthen their solidarity, unite as many forces as possible and adopt correct policies and strategies, then they will be able to advance continually toward establishing the new international economic order. This is an irreversible trend of historical development.

CSO: 4006

BEIJING ECONOMIC JOURNAL ON IMPROVING QUALITY OF PRODUCTS

HK131438 Beijing JINGJI GUANLI in Chinese No 9, 15 Sep 80 pp 3-4

["Economic Comment" by Jin Qize [6855 1142 3419]: "Quality Management Should Be Given First Priority in Enterprise Management"]

[Text] This year, the activities of the third national "quality month" have been put into effect vigorously on the battlefront of industry and commerce. During "quality month," mass inspection, comparison and appraisal, and summing-up have been carried out with reference to the past year's work in quality management, and this has clearly further strengthened quality management, and raised our goals on the quality of products; it will play an important part in promoting the continual raising of quality management work levels in China's industrial enterprises.

During the first "quality month" in 1978, a great inspection of quality on an unprecedented scale was put into effect on the battlefront of industry and commerce, putting an end to the situation of the declining quality of goods caused by the 10 years' upheaval. The second "quality month" in 1979 went on the offensive to raise the quality of goods, promulgating the "Regulations of the People's Republic of China on Awards for High Quality Products," and distributing gold and silver medals for goods measuring up to international or domestic advanced standards; this encouraged the broad masses of workers and staff on the battlefront of industry and commerce to strengthen quality management and arouse their enthusiasm for raising the quality of products.

Since the second "quality month," all departments of industry and commerce, along with enterprises, have formulated programs for upgrading and replacing products, forged ahead in inaugurating superior brand names, and set off a great upsurge in the production of high quality goods. According to statistics for the end of June this year, among 8,167 products under special assessment in 27 provinces, municipalities and autonomous regions, the quality of 6,955 had bettered the levels for the same period last year; out of 63 products given special attention by 11 central departments, 54 had bettered the levels for the same period last year. The number of assorted, high quality goods recommended by all localities to the various central departments, or for which application was made for national quality awards, has already reached 2,100; after selection and appraisal, more than 250 products were awarded gold and silver medals.

Over the past year, the quality of many goods produced by enterprises in China's light industries, and in textiles, engineering and the chemical and oil industries,

among others, has equalled or bettered their highest recorded levels. By June of this year, the ratio of top quality, high grade cotton yarn and cotton cloth goods had already reached 97.56 percent and 97.1 percent respectively, and the ratio of top grade fine woolen fabrics had reached 95.25 percent. Out of more than 1,700 products under systematic survey by the first Ministry of Machine Building, the ratio of those found to be up to standard in spot-checks reached 97.6 percent, an improvement of 5.6 percent over last year; the ratio of important spare parts found to be up to standard in spot-checks was 93.3 percent, an improvement of 1.61 percent over last year, and the proportion of reject castings had fallen to 8.82 percent. Every one of the 78 products subject to special examination by the Ministry for Agricultural Machinery was above the level of satisfactory products; the ratio of assembled machines and of important spare parts whose performance was up to standard in spot-checks was also 100 percent. Several enterprises have also succeeded in developing new products at a level of sophistication comparable with that of the rest of the world. For example, in respect of significant technological and economic indicators such as heat insulation efficiency, refrigeration capacity per unit of power, unit refrigeration capacity and machine weight, the 2.4 million kilocalorie centrifugal refrigeration unit developed by the Chongqing Universal Machine Works approaches the level of advanced similar foreign goods. The heavy triple coordinate surveying instrument developed by the Shanghai Machine Tool Factory, and the twin wavelength double-beam ultraviolet photometer developed by the Beijing No 2 Optical Instruments Factory also approach the level of the advanced similar foreign products.

This year, too, is a year when experience in overall quality management is being further popularized and widespread. According to statistics, among over 5,000 enterprises to which special importance is attached in 24 provinces, municipalities and autonomous regions, more than 4,400 are already trying out overall quality management. Up to the end of June, these enterprises had, between them, conducted more than 20,000 periods of study classes in overall quality management. In these enterprises, 31,000 mass "quality management groups" have sprung up. These groups are active in the forefront of production and have activated the development and perfection of this advanced experience.

However, the development of this work is not balanced. Even now there are still some departments responsible for industry, and some leading comrades in enterprises, who lack a sense of urgency with regard to raising product quality. This is especially true of enterprises which produce goods on which there is a state monopoly for purchase and marketing, or goods which are in short supply, where the tendency is to emphasize output and output value and neglect quality and variety of products. In individual enterprises, this even reaches the point where instances of retaliatory attacks have occurred against inspection personnel who adhere to quality specifications.

We must come to the sober realization that the fact that product structure is outmoded, technological and economic standards backward, design and color drab, variety of goods sparse, and quality very low in China's industrial production still constitutes an extremely salient problem. At present, world science and technology is progressing forward at a truly unprecedented rate, and the time taken by foreign countries to upgrade or replace their products is getting shorter and shorter, while the quality of their products improves daily. Consequently, if we do not

raise the quality of our products and develop new ones at an even faster rate than the capitalist countries, putting the four modernizations into effect will be no more than an empty and meaningless phrase.

At present, in the areas of production and distribution, we are in the process of introducing a general policy which, under the guidance of state planning, will allow the full effect of market adjustment to be felt. By bringing market adjustment into play, the element of competition will necessarily be introduced into the quality and prices of goods. In order to further revitalize our economy, we should encourage and safeguard this kind of competition, we should consciously carry out the comparison and appraisal of product quality, raise technological and economic targets, and we should moreover make everything public, giving the consumer a choice. To this end, every production enterprise must conform to the guiding principles of "quality first," and "achieve victory through excellence," raising the competitiveness of their own products in the market place. The former tendency of indifference as to whether a thing was done well or poorly must not be allowed to exist in the future. If an enterprise does not recognize this ineluctable trend, it will lose a great deal of its initiative.

In modern industrial production, each enterprise is a producer, but at the same time it is also a consumer of the means of production. For example, if we speak of a piece of machinery, then, at a specific level of design, the quality of the machine as a whole is determined by all the various components and fittings which go into its construction; and the quality of these components and fittings is likewise determined by the quality of the raw and processed materials from which they are constructed. At the same time, the quality of these raw and processed materials depends on the overall quality of the mechanical equipment which was used to produce them. In this kind of cyclical industrial production system, where everything is interrelated, each enterprise forms a component part, and it is only necessary for the quality of one enterprise's products to be poor for serious consequences to ensue, similar to "one rotten apple causing the whole barrel to go bad." Hence, we must vigorously encourage the spirit of considering the interests of the consumer, and of higher-level processes taking responsibility for lower-level processes. Every enterprise, workshop and work team, right down to the individual worker or member of staff, should take the attitude that "it all starts with me." We should vigorously expand the "reliable quality" movement engendered by the masses of industrial workers, promote a spirit of a high degree of awareness for mastering quality; that is to say that, starting with our own factory, our own workshop, our own work team and our own machine, we should strive for excellent quality in every single product, and for "reliability" in every single process so as to raise the level of quality throughout the spectrum of industrial production.

If the quality of products is to be improved, it is essential to acquire experience in overall quality management. Overall quality management is a scientific method of managing modern industrial production. It requires a complete process, starting with product design, and including trial production, production and marketing, even going right up to after sales service; furthermore, every worker and member of staff must emphasize quality of work to the fullest extent, and must strive to improve technological and economic results, in order that high quality work can guarantee the production of high quality goods. All industrial enterprises must conscientiously implement the "provisional methods of overall quality management in industrial enterprises" promulgated by the state economic commission, and in studying

and popularizing the overall management experience of enterprises at home and abroad, they must without fail work on the basis of the actual situation, they must achieve integration in their studies, pay attention to summarizing their own experience, and evolve overall management methods appropriate to the special features of their own particular undertaking. In this matter, we must certainly strive for economic results and, without being formalistic, without trying to "do everything at one stroke," gradually evolve a system of overall quality management which will possess distinctly Chinese features.

We possess more favorable conditions for strengthening quality management and raising the quality of our products than do the capitalist societies. If we can only adhere to the guiding principle of "quality first," fully arouse the enthusiasm and initiative of the broad masses of workers and staff, and integrate scientific management with mass management, then we will surely be able to rapidly transform the backward state of industrial product quality, evolve more and better high quality products and satisfy the people's needs, as well as win honor for the socialist motherland in the international marketplace.

CSO: 4006

PRC ECONOMIC JOURNAL DISCUSSES METHODOLOGY, POLITICAL ECONOMICS

HK141428 Beijing JINGJI YANJIU in Chinese No 9, 20 Sep 80 pp 28-33

[Article by Zhang Quanxin [1728 0356 2443]: "Comments on the Question of Methodology in the Socialist Realm of Political Economics"--passages within slantlines denote boldface]

[Text] The study of the question of methodology in political economics is an extremely important task in building up and developing political economics. In the socialist realm of political economics, how do we make use of the method of abstraction? What should be our starting point in analyzing socialist economics? How do we carry out an objective observation of socialist economics? In the following I discuss some elementary views:

/I. It Is Necessary to Start From Concrete Relations in the Formulation of Concepts/

All objective things are revealed at the different stages or as different entities in motion and in their relationships. Every stage or entity has its unique, specific relations. Since different concrete things are bound to have differences as well as common characteristics, it is possible to extract the general character from a certain type of concrete things. Just as Marx said, "/Production generally/ is an abstraction. It is a rational abstraction as long as the common point is extracted, stipulated and not duplicated." ("Selected Works of Marx and Engels," "Preface to Critique of Political Economics," Vol 2 p 30) However, it must be pointed out that we are bound to carry out abstraction of targets in different domains. Abstraction in different domains is stipulated by its own characteristics. Therefore, after we have made an abstraction in a large domain and carried out analysis of a more specific domain in this large domain, we must start from this specific relation and set special stipulations for this relation. In this way we can carry out a substantial analysis of concrete things and shall not only see the uniformity and forget the essential differences.

For example, it is necessary to manufacture products in any stage of society. Thus, we can abstract a general law concerning production. However, we should note that this general character is manifested as different special forms in the course of development. Taken as a whole, economic development in society proceeds from natural economy to commodity economy to planned economy. This has given rise to the formation of the law of production in natural economy, law of production in commodity economy and law of production in planned economy. All these are laws concerning production. However, each has special stipulations in various stages. This

is the division of the large stage. For the same reason, every small stage making up the large stage is a specific relationship and is restricted by its own special characteristics. For example, commodity economy has the general nature of commodity economy. It has different special forms according to the production relations. There is simple commodity economy, capitalist commodity economy and socialist commodity economy. Each has its distinct characteristics. Because of this, the general commodity economy demonstrates the law of value. Its characteristics differ in accordance to the production relations. In addition to general stipulations of the law of value, there are special stipulations for the law of value in the different relations of production, for example, the law of value of simple commodity economy, the law of value of capitalist commodity economy, and the law of value of socialist commodity economy. Simple commodity economy is an undeveloped form of commodity economy. It is a formulation from the natural economy of self-sufficiency. People are beginning to cooperate exchanging products which are in excess and they do not need. The law of value is manifested in a simple primitive form. Capitalist commodity economy is a developed commodity economy. At this time, all products, including labor, have become commodities. As a general law of value of commodity, it is manifested as the law of capital movement when it has acquired the special nature of capitalist commodity economy.

Then, does the law of value of socialist commodity economy have its own special nature? The answer is affirmative. Unfortunately, many comrades now have not paid enough attention to discussing this question.

For example, some comrades think that the law of value in socialist economics has a blind and spontaneous role. Its role contradicts with the basic socialist economic law and the law of planned proportionate development. If we say that it plays a regulative role in socialist economy, it also plays a role in the negative side. Obviously, this view has neglected the fact that the law of value still has its own socialist nature in socialist economic relationships and regarded the law of value in socialist commodity economy as basically different from and even alien to socialist economics. Therefore, we have come to the conclusion that we should not develop commodity economy while also developing socialist economy but should restrict the law of value.

Some comrades have carried out many investigations into the special stipulations of the law of value in socialist commodity economy. This is good. However, there are also some shortcomings in some of their analysis. For example, some comrades attempted to use the different extent and different domains in which a role is played to illustrate the differences in the nature of capitalist and socialist production relations. Actually the difference in quantity is seen but not the difference in quality. Thus, the special characteristics of its own nature are not revealed.

Some comrades have also made new investigations into the definition of the law of value itself and pointed out that the law of value is the law of saving time and also the use of the smallest consumption of labor to attain the greatest economic results. The law of value in this sense is a law which plays a role in all economic movements. These comrades also pointed out the different forms of manifestation of this law under various ownership systems. The law of value in private ownership in social economy is the law of market value. In public ownership in social economy

(Communist ownership by the whole people), the law of value is the law of value in planned economy. The basic difference is that the value of one must be revealed through market exchange, and the other can be directly expressed through planned calculation. The law of value in socialist economy basically is the law of value in planned economy. However, because of commodity production, there is a certain form of the law of market value in commodity economy. This version has many strong points over the former. These are strong points because they form a generality from the law of production of all the products in society (which it called a law of value of the law of time saving), take the law of commodity economy and the law of planned economy as different specific forms of this law in development and as the different stages of the continual movement of the same entity (the law of labor time) so that people can see the special characteristics found in the various social stages. This is of tremendous significance in drawing the attention of people to the objective entity and the relationship between the law of value and the law of planning. However, the main shortcoming of this version is that it calls the law of production in society the law of value. The value here is no longer the value of commodities as generally understood by people. This has created a problem. Marx stipulated value as the value of commodity and he clearly pointed out that it was the domain for embodying the relationships among the different owners. Most people undertake this stipulation as the basis of understanding the domain of value. Therefore, it will easily cause confusion in its usage. Certainly, in order not to cause confusion in usage, we can, through various explanations, differentiate between and specify the value in the law of time saving and the value in the law of commodity economy. However, this will create many problems in understanding, research and writing.

The law of value in socialist commodity economy should be stipulated by its own characteristics. Then, how can we bring about this stipulation? This is certainly a question which can only be answered by thorough study. Here, we should emphasize that we must firmly grasp the concrete relationship in socialist commodity economy. That is to say that we must carry out abstraction from the concrete relationship of socialist commodity economy and grasp its essence before we can stipulate its own characteristics.

Many comrades have already pointed out that socialist commodity economy should be planned commodity economy. Some also said that it should be planned economy of a certain commodity form. Which version is sound? There is room for study. However, one common point illustrates that a concrete socialist commodity economic relation is a close integration and complete amalgamation of commodity and planning. A great number of facts also prove that in socialist society, all products have a commodity nature and all socialist commodities are influenced by planning. In socialist economy, the value of a commodity is determined by the time and labor required to manufacture the commodity within society and exchange is carried out for something at equal value. But it is also the commodity of planned economy, thus it is subject to planning and the requirement of planned distribution of labor time in the various production departments according to social needs. These two are completely integrated. (This is a chemical combination which is the nature of socialist commodity economy.) It permeates the process of socialist commodity economy. It regulates, dominates and restricts socialist commodity economy. The loss of any one item cannot explain how the nature of socialist commodity economy is stipulated.

Is it appropriate to take planning and value as the content of the law of socialist commodity economics at the same time? I think that it is appropriate. On the contrary, some people take the law of value and law of planning as two mutually independent laws in the course of explaining socialist commodity economy. In particular, they take the nature of the law of planning as independent of the nature of commodity economics. This is questionable. If we say that planning is independent of commodity economy, how can we explain the socialist nature of socialist commodity economics? Since all socialist products are commodities, what is the substance of the law of planning when it is divorced from commodity economics? Obviously this cannot be answered.

I think that the law of value and the law of planning are certainly two different laws. However, this is seen in light of the different stages of the development of the production law of products in society. Law of value plays a role in commodity economics. Law of planning plays a role in planned economy. Our present socialist economy is a commodity economy. However, it is a commodity economy which has entered the stage of socialist public ownership. Therefore, it has become a planned commodity economy. As a transitional form from commodity economy to pure planned economy of single public ownership, it really has the dual nature of commodity economy as well as planned economy. From this concrete relationship, we should abstract the special laws which conform to its own nature.

It is extremely important to start from and correctly stipulate the laws of socialist commodity economy. Only in this way can we avoid the tendencies which stress commodity economy but neglect its socialist characteristics and confuse it with capitalist commodity economy and the tendencies which pay attention only to planning but negate the necessity for developing socialist commodity economy and direct socialist economy with pure Communist planning.

/II. It is Necessary to Clarify the Logical Starting Point in Forming the System/

When compiling teaching materials on the socialist realm of political economy in the past, we generally started from socialist public ownership. Many comrades tend to take public ownership as a determined prerequisite without first analyzing the various socialist economic domains. This is used as proof to show whether an economic domain is a socialist economic domain: since it is public ownership, this economic domain is also a socialist economic domain. This method is problematic.

In the course of duplicating in our minds the logical starting point of objective laws, the scientific method of abstraction must start from the most abstract domain of the duplicated object. This most abstract domain must possess three conditions:
1) it is the most essential characteristic and is generally found in the object;
2) it incorporates the sprouts of all the contradictions within the object; and
3) it is simple and direct so that it can be clearly taken out from the duplicated object without taking any other domain as a prerequisite. For example, in Marx's "Das Kapital," the duplication of laws of capitalist economic relationships starts from commodities and has firmly grasped the above characteristics and possessed the three stated conditions.

To start with public ownership is to start with the system of ownership. What is the system of ownership? The system is the sum total of production relations. Marx

commented on capitalist ownership--all economic domains--commodity, value, money, credit and so forth "are combined together to form the so-called /system of ownership/ in social relations." ("Selected Works of Marx and Engels," "To P.V. Annenkov 28 December 1846," Vol 4, p 324) He also said on another occasion, "/Private ownership/ is not a simple relationship and is definitely not any abstract concept or principle but the sum total of the /bourgeois/ production relations." ("Complete Works of Marx and Engels," "Ethical Criticism and Critical Ethics," Vol 4, p 352) The definition of bourgeois ownership is the description of all the social relationships in bourgeois production." ("Selected Works of Marx and Engels," "Metaphysics in Political Economics," Vol 2, p 144) He criticized Proudhon's discussion of ownership separate from the various domains of economic movements which reveal production relations "as nothing but metaphysics of an illusion in the science of law." ("Selected Works of Marx and Engels," "To P.V. Annenkov, 28 December 1846," Vol 4, p 324)

Thus, it can be seen that ownership is definitely not the most abstract domain in economic relationships. On the contrary, since it is the sum total of production relations, it includes things in all the domains of the object. It is a very rich substance. To understand it can be seen that concreteness is either perceptual concreteness or conceptual concreteness. Perceptual concreteness has not yet been stipulated and is a confused idea. It cannot become the starting point for logic. Conceptual concreteness is already the outcome of logic and not the starting point of logic.

Therefore, we say that the system of ownership is a concept which has not been stipulated before our detailed analysis of various economic domains of the entire economic movement which make up certain relations in life. The system of ownership is a thing which has not been stipulated. It is an empty, circular bid to take a thing which has not been stipulated as a stipulated prerequisite and put it forth to stipulate the other economic domains.

Where should be the logical starting point of the duplicated socialist production relations?

First, I do not think that we can simply initiate Marx in starting with commodities in his duplication of capitalist economic relations. Although socialist economy is commodity economy, it is commodity economy under public ownership and is planned commodity economy.

Next, I do not think that we can simply say that duplicated socialist economic relationship can start from products in the sense of pure public ownership. Although socialist economy is public ownership, it is still considerably different from the total abolition of commodity economy. Similarly, some people advocate planning as the starting point. Again, this is obviously inappropriate.

Then where should it start? According to the investigation as presented above, can it start with planned commodity? A large number of facts show that taking this as the starting point can explain the various socialist economic domains and conform to logical and historical requirements. This is to say that the entire commodity economy starts with commodity. It can explain all phenomena in terms of simple commodity economy. When developed to capitalist commodity economy, capital has

become the essential part. (Marx, in "Preface to Critique of Political Economics," called capital the "essential part" of capitalist economics and described capitalist society as "all social forms where capital had a dominant position." ("Selected Works of Marx and Engels," Vol 2, p 109) Marx, in "Das Kapital" Volume 3 also talked about capital as "a domain which occupied a ruling position in the capitalist mode of production" and as "a production relation which played a decisive role," "Das Kapital," Vol 3, p 935). Developed to socialist commodity economy, planned commodity has become the essential part and the basic economic domain which determines the socialist nature. Simple commodity economy is the starting point of the development of commodity economy. Capitalist commodity economy is the peak of the development of commodity economy and socialist commodity economy is the last stage of commodity economy before its extermination. After the socialist stage, the commodity economy will eventually perish. Only then will pure and real planned economy mature and planned economy begin its developmental process.

What is said above is certainly only a very elementary. Where should the starting point of duplicated socialist economic relations begin? This is an important question which requires thorough study. However, this is a question which cannot be answered right away. Whether the logical starting point of a system can be correctly grasped and abstracted marks the degree of maturity of this theory itself. After years of study by many experts, the duplication of capitalist production relations was finally completed by Marx who scientifically began with commodity. Socialist economic relations have not yet been fully developed. It is very difficult to grasp the most abstract domain by means of assumption. This article does not assume to correctly point out what should be taken as the starting point, but has simply put forth the question of whether it is appropriate or not to start with the system of ownership.

A great many facts show that there are many problems if socialist economic relationships start with the system of ownership. Before analyzing the various domains which make up the entire socialist economic movement, there has been, for a long time, a tendency to take public ownership as a prerequisite which was formulated a long time ago. This will inevitably lead to simplication in the analysis of problems after a long time and people may not even be able to understand how to differentiate between the various economic relations. They do not differentiate between the different economic movements but only analyze everything by means of the system of public ownership which has not been stipulated. However, when the study goes deeper, they will become muddled when they see similar trends. This analytical method has precisely made some comrades unable to understand the essential differentiation between the public ownership in socialist economics and capitalist economics which goes towards state monopoly: some comrades still tend to use this method to illustrate the difference between the social economy in our country and the social economy in Soviet Russia and they are bound to encounter difficulties in theory. Finally, when they think of how to ascertain the system of ownership which is taken as the prerequisite for the differentiation, they feel that there is no way to solve this problem and go toward the theory of determinism that leadership determines the superstructure of the system of ownership.

/III. In the Pure Examination of Economic Relationships, It Is Also Necessary to Pay Attention to the Study of the Role of Various Complicated Factors/

In carrying out scientific research, it is often necessary to first discard the various incidental and complicated phenomena and carry out pure examination of the essential relationships of the objective facts so as to grasp the inevitable nature of the objective target. Marx cited examples from natural sciences: in the examination of natural processes, it is "necessary to carry out examination of aspects which are manifested as the most precise and accurate and the least affected by disturbances." (Marx: "Das Kapital," translated by Guo Dali and Wang Yanan, People's Publishing House, 1963, Vol 1, p 10) The study of social sciences is also like this. We must utilize abstraction power, tightly grasp the most essential things in economic relationships which have been taken as the target, discard the various complicated and incidental phenomena and factors and carry out pure examination of the economic domains before we can grasp the essence and natural laws of the target. We must comply with this demand put forth by the scientific method of abstraction.

However, the scientific method of abstraction is the dialectical unity from the concrete to the abstract and back to the concrete again. This means that after we have discarded the various complicated factors from perceptual concreteness and obtained abstract stipulations in the pure sense, we still have to take the road of abstraction to concreteness and make up the relationships of various phenomena in objective things and events. At this time, we cannot discard and neglect the various complicated factors which are discarded in pure examination but must gradually take into consideration the various phenomena according to their original relationships in objective facts and events. Socialist economic relationships or laws are also like this. We must certainly discard various complicated factors in our study of economic relationships and correctly fix our concepts through pure research, but we should not discard and ignore them completely when we make up their relationships.

We can only find out the intermediary which links up the domains from a large number of phenomena. For example, we study the various socialist domains and laws, how the economic domains such as commodity, value and profits and even the basic economic laws, laws of planned and proportionate development, law of value and the law of distribution to each according to his work, make up the unified process of economic movement. We should not, like what some comrades do, regard socialist economic movement only as the combination of some independent laws. This does not explain the system of the law of unified movement of the socialist production process, exchange process and distribution process. In order to form a unified system, it is not enough to merely clarify concepts but we must consider the conditions of their movement under various complicated factors and how they change. At this point, we must include the various complicated phenomena which they reveal and take these as the intermediaries. Only in this way can we clarify the relations between domains and laws.

In addition, the task of our explanation has to go back to the surface of society. We must, through analyzing the nature of the economic relations, explain numerous phenomena which we come into contact with. Thus, we have to include the various complicated factors and phenomena. In our present socialist society, in addition to the predominant economic form, there are some remnants of the old economic system. At the beginning of our study, we must ignore these various complicated factors and examine the predominant economic form in its pure form. Only in this way can we

grasp the essence and reveal the inevitable regularity. In methodology in the so-called economics of the "gang of four," they tend to cram the remnants of the old economic forms existing in socialism into the domains of socialist production relations. We must criticize the fallacies of Du Zhuan who claimed that "there are capitalist factors in socialist production relations" and the "principle of distribution to each according to his work is the economic basis engendering capitalism" and mixed the socialist economic domains with the capitalist economic domains so that the socialist production relations are mixed with capitalist production relations.

We must also notice that in our present socialist society, remnants of the old economic relations will inevitably play a certain role and influence the socialist production relations. We must discard them in our pure examination of the socialist economic domains. We must not entirely ignore the role and influence of these factors when we go from abstraction to concreteness and in particular when we go back to the various questions on the surface of society. We must take into consideration the role which these factors play in the socialist economic domain and the changes which this role may bring in socialist economics before we can realistically explain the various economic phenomena in society, before our political economics can profoundly and broadly explain the various conditions which emerge from society and before the study of political economics can play a realistic guiding role in actual economic work.

I have only put forth several approaches on the above questions. I have only pointed out here the importance of paying attention to the question of methodology in the study of the socialist realm of political economics. We cannot answer a large number of questions without clearly studying the question of methodology. (This manuscript was received in February 1980.)

CSO: 4006

ECONOMIC SELF-SUFFICIENCY OF ENTERPRISES OWNED BY ALL THE PEOPLE DISCUSSED

Beijing RENMIN RIBAO in Chinese 25 Sep 80 p 5

[Article: "A Discussion of Economic Self-Sufficiency in Enterprises Under Ownership By All the People"]

[Text] In May the editorial department of the Sichuan journal SHEHUI KEXUE YANJIU [SOCIAL SCIENCES RESEARCH] held a conference on economic self-sufficiency in enterprises under ownership by all the people.

Is Economic Self-Sufficiency of Enterprises Under Ownership By All the People a Necessary Trend in the Reform of Our Country's Economic System?

Many comrades believe that implementation of economic self-sufficiency in enterprises under ownership by all the people is a necessary trend in the improvement of our country's economic system and an important part of major reform. This is because: (1) Independent accounting and economic self-sufficiency are not only economic categories of the private ownership system and the collective ownership system, but are also economic principles current in a commodity economy. Enterprises owned by all the people are commodity producers which have relatively independent economic interests, and should have a certain independence in management and administration. (2) Experiments in this province indicate that expanding enterprise autonomy has brought profound changes to all of economic life, and has produced many outstanding results. But the current method of expanding enterprise autonomy is still not perfect, and the economic benefits which the enterprises have obtained are not sufficient, the rights given to the enterprises and their expanded reproduction capabilities are incomplete, the economic responsibility which the enterprises have is limited, and we still have not fundamentally broken out of the mold of state control of receipts and disbursements and "everybody served from the same pot," so that we cannot thoroughly bring enterprise activism into play under the guidance of the state plan. This is the reason why the reform of the economic system cannot come to a halt with expansion of enterprise autonomy, but must further develop to economic self-sufficiency. (3) When enterprises under all the people institute economic self-sufficiency, and payment of profits to the higher levels is replaced by payment of taxes to the state, this will fix distribution of income between the enterprises and the state in a legal form, which will be helpful in guaranteeing the state's financial income. The production expansion fund, benefits fund, wage incentives fund and reserve fund which the enterprise establishes out of its net profit after it has paid taxes to the state can be used

to expand production and increase employee benefits. This will link the interests of state, enterprise and workers more closely together, and the system of enterprise ownership by all the people will take on an unprecedented vitality.

Some comrades believe that it is too early to say that economic self-sufficiency in enterprises owned by all the people is the direction of reform of the economic system and a necessary tendency, but that a determination must be made by means of experiments and practice.

Some comrades also believe that payment of taxes to the state and economic self-sufficiency of enterprises under ownership by all the people are not the same thing as economic self-sufficiency in the collective ownership system. Whether the term "economic self-sufficiency" should be used to express and reflect the actual circumstances of possession of relative independence by enterprises under ownership by the whole people merits further study.

Can Economic Self-Sufficiency In Enterprises Under Ownership by All the People Change the Nature of Ownership by All the People?

Some comrades believe that economic self-sufficiency in enterprises owned by the whole people not only will not change the nature of ownership by the whole people but in fact is more suited to it in the present stage. There are four reasons. (1) Economic self-sufficiency in enterprises owned by all the people is one aspect of reform of the economic management system, and although the management system and ownership system are related, they should not be confused with each other. In general, the ownership system is stable, whereas the administrative and managerial form is flexible and varied, and does not imply a shift in ownership of the means of production. (2) Economic self-sufficiency in enterprises owned by all the people is a consistent implementation of state policy and decrees which guarantee comprehensive and complete state planning and implementation of economic contracts, paying of fines according to regulations, and strict adherence to financial discipline. The fixed assets held by an enterprise are taxable by the state through a fixed assets tax, and the enterprise still treats means of production which augment the production development fund as owned by all the people. (3) The exercising of economic self-sufficiency by enterprises owned by all the people is dual in nature. On one hand the enterprise covers expenditures from income, thus realizing a profit or less; on the other hand, the representative of all the people as owners, i.e., the state, also participates in accounting and distribution of profits. (4) Enterprises under ownership by all the people in the current stage in our country have partial ownership and use rights, and have their own interests, and if these partial ownership and use rights are linked with the interests of the employees, this will greatly stimulate enterprise and employee activism.

Some comrades believe that economic self-sufficiency in enterprises under ownership by all the people could change into enterprise ownership under the following circumstances: (1) in terms of enterprise production funds, when the fixed capital allocated to the enterprise by the state has been fully depreciated and the enterprise uses its own funds to renovate fixed capital, if the state does not levy taxes on the fixed capital or collect depreciation, the fixed assets become the enterprise's property; (2) when the capital construction investments are changed from financial allocations to enterprise loans from development banks

with payment of interest, once the enterprise has paid off the capital construction loan in installments, the fixed assets are then enterprise property; (3) when unified industrial and commercial taxes and income taxes are levied against the enterprises, the distribution of profit becomes entirely a matter of the economic relationship between the enterprise and the staff and workers, and if the state does not participate, the system of ownership by the whole people may change to enterprise ownership.

Some comrades believe that there are two objective yardsticks for whether or not the nature of the system of ownership by all the people is altered. One is that the enterprise owned by all the people has only partial ownership and use rights over the means of production, and the enterprise must guarantee comprehensive fulfillment of the state plan; second, most excess output of enterprises under ownership by all the people becomes the property of all the people (whether by payment of profits to higher levels or payment of taxes). Adherence to these two standards will guarantee the nature of the system of ownership by all the people, and if the two standards are departed from, the nature of the system of ownership by all the people will have been changed even if it is still called ownership by all the people.

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SHORTCOMINGS IN ECONOMIC STRUCTURE EXAMINED

Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 1, 20 Feb 80 pp 6-13

[Article by Sun Shangqing [1327 1424 3237]: "On Economic Structure"*]

[Text] In the past 30 years, our country's socialist construction has accomplished a great deal. However, the improvement in the people's livelihood has been very slow, with strained situations or shortages in agriculture, food, living quarters, and transportation persisting up to the present, and insufficient economic benefits to the people. The reasons for this are principally the destruction carried on for a long time by Lin Biao and the "gang of four," and in addition to this, there is the rapid growth of our population, poor grounding, and deficient foundation, but there is another important problem, which is that there are several irrational places in our economic structure. In a structure like this, even if the economy is made to develop very rapidly, it is extremely difficult to raise the people's standard of living proportionately.

In the following we try some implications of economic structure and standards of appraisal to make a preliminary inquirty into manifestations of irrationality in our economic structure and the theoretical and ideological roots that produced them.

(I)

Structure, as its name implies, has to do with construction. Our study of economic structure is aimed at clarifying how it is constructed internally as a means of arranging it more rationally, more effectively. Then, what are the implications of economic structure?

Some comrades say that economic structure is just a proportionate relationship. I feel that this viewpoint is oversimplified. Proportion generally represents a quantitative relationship, indicating that some kind of numerical relationship ought to be maintained between the various departments, industries, and products of the national economy, to achieve an overall balance. But the content of structure is much more wide-ranging than the aforementioned quantitative relationships, such as the structure of the system of ownership, the structure of economic technology, the structure of economic divisions, etc., all of which are included in economic structure, are not simply a question of quantitative relationships.

*This article is written on the basis of notes on a scholarly report done by the economics department of Beijing University in September 1979

Economic structure regards questions from both quantitative and qualitative viewpoints, it includes all kinds of proportions in the national economy, and also includes the mutual relationships and mutual restraints between the various domains, departments, industries, and various regions of the national economy. Marx spoke of "the economic structure of the society formed by the sum total of economic relations."[1] Here, economic structure indicates the sum of productive relations. However, on another occasion Marx gave it a broader implication, pointing out: "...the relationship between those who undertake production and nature, as well as the mutual relationship between them, the sum of all kinds of relationships for the purpose of carrying on production, are what are viewed as society from the standpoint of the social economic structure."[2] Here, Marx surveys the social economic structure as the relationship between the producer and nature, and also views it as the mutual relationships between producers. Therefore, there is the question of production relations as well as the question of productive force. We will apprehend the implications of economic structure in this sense, and will conduct our study of economic structure.

In general, the problems we now want to study in connection with economic structure are:

1. Structure of productive industry. This includes the structure of agriculture, light industry, heavy industry, internal parts of agriculture, internal parts of industry, the productive realm and the non-productive realm.

2. Structure of economic technology. This indicates the present stage structure of manual labor, semi-mechanized labor, mechanized labor, semi-automated labor, and automated labor, how these ought to be rationally deployed in accordance with the specific circumstances in our country, to rationalize the deployment of the social economic technology.

3. The structure of economic organization. Some of our state-operated enterprises are subordinate to the various industrial ministries of the central government, some are subordinate to provinces and municipalities, and some are subordinate to prefectures and counties. After all, is it better to have direct management by various levels of government, or would it be better to establish various kinds of economic organizations to manage under government guidance, and what kind of structure would be rational for these economic organizations, thus obtaining the greatest economic result? Practice proves that the organization of various kinds of specialized, integrated companies is much superior to having administrative departments manage the economy. However, there should be research in depth on the structure of the economic organizations, their style of action and mutual relationships, and the kind of relationship they will have with the administrative organizations on various levels. Clearly, this is a question of organizational system as well as of structure.

4. The structure of the system of ownership. We should study all kinds of systems of ownership, ownership by all the people, collective ownership, individual ownership, Chinese and foreign joint operation, etc., to determine which structure is of benefit to economic development at a given level of economic development.

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1. Foreword to "A Critique of Political Economy, "Selected Works of Marx and Engels," Vol 2 p 82

2. Marx, "Das Kapital," Vol 3 p 925

5. Product structure and import-export product structure.

6. Employment structure. This is mutually related to the structure of economic technology, and under certain conditions, when we arrange for more manual labor, there are more opportunities for employment; when there is more automation, there are fewer employment opportunities. It is also related to the structure of productive industry. With the development of the social economy, there must be corresponding development of service industries, culture, education, science, and health realms, and if the speed of development of these departments cannot keep up, there will be fewer employment opportunities; if their speed of development is appropriate, there will be more employment opportunities. Therefore, it is worth studying what structure is suitable to recruit the labor force that the nation must make arrangements for each year.

7. Investment structure. We must study what kind of relationship there should be between our investment in various areas, and how they should be regulated and improved, and under what conditions.

8. Regional structure. This is principally a question of economic divisions, and includes the question of urban-suburban structure.

9. Price structure. For example, we should study which products should establish unified prices, which products should adopt floating prices, and which products can employ free prices; as well as, under what circumstances and with regard to which products we should implement protective prices; and also, the relationship between prices in domestic and foreign trade, etc.

10. The structure of accumulation and consumption. This is the question of rational allocation and use of the national income.

The foregoing 10 area structures include both productive relations and productive force. We should not here emphasize either side, but should carry on our study of productive relations and productive force together. We should investigate and study the present form of these economic structures and the course of their historical formation, examine foreign experience, and find a model for socialist economic structure that is rational in view of our country's circumstances. What is called rational cannot be separated from a given time and conditions. What is rational today may be irrational in a few aspects when the economy has advanced to another level, and must then change. Therefore, our mission is not to design a plan for a perpetual economic structure, but to study the various kinds of internal laws of economic structure. As a first step, we must study how to adjust the economic structure in the plans for next year and the year after. For the next step, we must study how to arrange the economic structure for the period of the Sixth Five-Year Plan and what form our economic structure should have by the end of this century.

In that case, what are the basic criteria for examining and judging whether or not the economic structure is rational?

First, it can fully utilize and develop a nation's various advantageous conditions and avoid those that are disadvantageous. For example, Iceland is a country with very rich water conservancy resources, and they have principally depended on the

development of electric power to develop their economy, using their surplus electric power to process, for export, those products that consume the greatest quantities of electric power, and have obtained an outstanding economic result. Japan has a dense population and few resources, but proceeding from their own conditions, utilizing their own characteristic well-developed ocean transport and using high-tonnage ships producing low transport costs, they brought in Australian iron ore and again fully utilized their manpower and imported technology to refine high quality, low cost, highly competitive steel products. They also developed their geographic characteristics by locating their large iron and steel plants on peninsulas or artificial islands, with the whole plant like a big wharf, ore, coal, and raw materials coming in at one side and after undergoing refining and rolling, the finished materials being loaded on ships for export at the other side, saving large quantities of transport and transport fees. In the past 30 years, some of the points adjusting our economic structure were correct and contributed to the development of our advantages of a large population and rich resources, but there were also some that failed to take advantage of strengths and avoid pitfalls, and with our own deficiencies on every hand, the result was that the burden was heavy, the expenditure was large, and the result was relatively small.

Second, it can produce a proportional and coordinated development of all parts of the national economy and carry on social reproduction successfully at high speed.

Third, it can produce rapid advancement in technology and improvement in the labor productivity rate.

Fourth, the people's livelihood will constantly improve on the foundation of developing production. Our economic structure ought to guarantee the gradual implementation of this kind of cycle: high productivity--high consumption--high accumulation--high speed, in short, fully develop the superiority of the socialist system.

(II)

What are the principal problems in our country's economic structure at present? Some comrades feel it is a dislocation in proportion, and this is no doubt correct. However, as has been mentioned, we cannot equate questions of proportion with questions of structure, so we can take note of the dislocation in proportion, but this is not equivalent to apprehending all the problems that exist in the structure. I feel that the economic structure that our country has formed over the past 30 years has rational parts and has irrational parts, and the principal irrationalities appear as:

1. The productivity of agricultural labor is low and its development is slow.

Everyone knows that the more backward the economy, the more labor force is engaged in agriculture. In 1978, our country's agricultural population accounted for 84.6 percent of the total population. Agricultural labor force accounts for 74 percent of the social labor force, and although agriculture takes up this high a ratio, because the agricultural labor productivity rate is low, the agricultural product still cannot satisfy the needs of the national economy. In 1978, the average amount of food produced per unit of agricultural labor force was 1,040 kilograms in our country, but it was 95,352 kilograms in the United States, 10,265 kilograms

in the Soviet Union, 32,609 kilograms in England, 20,155 kilograms in France, and 18,877 kilograms in West Germany. As for agricultural structure, of the gross product of our agriculture in 1978, plant products accounted for 67.8 percent, animal husbandry products were 13.2 percent, forestry products were 3 percent, fisheries products were 1.4 percent, and subsidiary products were 14.6 percent, so the internal structure of agriculture is very uncoordinated. Even more prominent is that our country's agriculture is developing very slowly, grain production increasing 3.3 percent annually between 1950 and 1977, the average amount of grain per person being 636 jin in 1978, only a lottle more than in 1956. For the past 10-odd years our cotton production has varied right around 45 million tan, more or less, and the present amount of cotton per person throughout the country cannot match the level of 1957. In 1978 we imported 139.1 billion jin of grain, more than 9 million tan of cotton, more than 500 million jin of animal and vegetable oils, and 1.32 million tons of sugar, amounts inappropriate to our status as a great agricultural nation.

When the labor productivity rate of agriculture is low, its structure is backward, and its development is slow, it cannot help but affect the development of the whole national economy. Therefore, it is entirely necessary to have a gradual increase in our investment in agriculture. Within the next 3 and 5 years, investment in agriculture will continually increase from 1979's 14 percent to 18 percent (as a proportion of capital construction investment). In addition to this, we must also adjust the developmental relationship between agriculture, forestry, animal husbandry, subsidiary products, and fisheries.

2. Light industries are backward and cannot satisfy the increased demand of rural and urban people's livelihoods.

For a long time, our country's light industries have been backward as compared to heavy industries. Light industry investment, as a proportion of capital construction investment, was 5.9 percent during the First Five-Year Plan. The period of the first plan was actually a period of extreme efforts toward the development of heavy industry, and none of the 156 projects pursued at that time were concerned with light industry. During the Second Five-Year Plan, the investment in light industry as a proportion of the investment in capital construction fell to 5.2 percent, between 1963-65, investment in light industry fell further to 3.9 percent, in the Third Five-Year Plan it was 4 percent, and in the Fourth Five-Year Plan it recovered, but was still lower than during the first plan period.

Because of slow increases in the production of cotton yarn and cotton clith, the average consumption of cotton cloth per person by urban and rural residents throughout the country in 1978 was less than the level in 1956, when supplies were rationed.

As average per capita production of principal light industry products is far below the world's advanced levels, the supply of these products cannot satisfy the increased demands of the people's livelihood. In 1978, consumption of paper by Americans was 260 kilograms, and for us it was only 4 kilograms, and consumption of paper is an important index of the level of scientific and cultural life; as for sugar, Americans consumed 49 kilograms, while for us it was 2.8 kilograms; in synthetic detergents, the American figure was 21 kilograms, ours was .2 kilogram;

American consumption of plastic products was 70 kilograms, ours was only .7 kilogram. The equipment and technology produced by our light industry is for the most part comparable to that of the advanced countries during the 1940's and 1950's, and our labor productivity rate is low.

The backwardness of our light industry has led to shortages in supply of light industry products. The 69 products presently listed as under the control of the state and the Ministry of Light Industry are all in short supply in the marketplace, their quality is low, their variety is restricted, and this affects the balance between purchasing power and commodity supply in the marketplace. At present, investment in light industry has already been raised to 5.8 percent, and the planned rate of growth is 8.3 percent (exceeding that for heavy industry), and at the same time we have arranged for some of the military industrial enterprises to, to the extent possible, produce more civilian goods. Because of this, conditions are improving.

3. Heavy industry is too prominent, and cannot serve the development of agriculture and light industry very well.

The development of agriculture and light industry cannot be separated from heavy industry, for without the technology and equipment supplied by heavy industry, agriculture and light industry would have no material and technical foundation for development. Therefore, it is sometimes necessary to give priority to development of heavy industry. However, because our heavy industry has been given priority development for a long time, it has elbowed agriculture and light industry aside, and a large proportion of its products provide no service to the development of agriculture and light industry, but serve only its own development. If this kind of structure is not changed, neither agriculture, light industry, nor heavy industry itself will be able to achieve rapid development for any protracted period.

When we say that heavy industry has gotten too much emphasis, that is a relative matter. The fact is that our heavy industry is anything but flourishing, and we are unable to satisfy the needs of national construction with regard to many heavy industrial products. For example, we imported 8 million tons of steel materials last year. However, as compared with agriculture and light industry, heavy industry is still overly prominent, and there are too few of the products to support agriculture and light industry. In 1978, of the steel materials we consumed, 15.5 percent was used in agriculture and the maintenance and repair of agricultural machinery, and 11.7 percent was used in the light industry market; of the amount of pig iron consumed, 3.6 percent was used in agriculture and the maintenance and repair of agricultural machinery and only 1.1 percent was used in the light industry market. Therefore, large amounts of iron and steel were certainly not used in the development of agriculture and light industry. The proportions of electric power used by light industry, agriculture, and heavy industry are: agriculture, 11.5 percent, light industry, 12.9 percent, and heavy industry, 53.6 percent.

Heavy industry cannot promote the development of agriculture and light industry very well, but conversely, the slow development of agriculture and light industry restrains the further development of heavy industry.

4. There are shortages and a serious waste of energy resources.

If we want to develop industrial and agricultural production and also want to improve the lives of the people, demand for energy resources will get larger and larger. According to calculations, under our country's present technological conditions, each 1 percent increase in the gross value of industrial product requires about a .9 percent corresponding increase in energy consumption. Of 36 indices of energy consumption by 424 key enterprises during the first quarter of 1979, the best historical level was achieved in only 10 of them, and our best historical levels were generally established in the mid-1960's, some even during the 1950's. Others are constantly advancing toward new levels, and we are still pursuing our own levels that we have already achieved historically. The structure of our industry is backward, leading to too great a consumption of energy resources and too much waste, making our consumption of electricity per unit of production value much higher than in foreign countries.

5. National defense industries and civilian industries are out of line.

As long as imperialism exists, we must maintain our alertness and be prepared for war. This strategic thinking is completely correct. The question is, how to implement the policy of this strategy correctly in economic construction. This involves the overall arrangement of the national economy, the relationship between military production and civilian production, etc. The proper implementation of preparedness thinking in peacetime economic construction demands attention to economic principles and a necessary striving for economic results. Otherwise the economic construction will not be done well, and the strengthening of national defense will also be impossible.

For systematic and structural reasons, our national defense industry cannot develop an organic relationship with civilian industry, and therefore, for a long time we have been unable to implement a policy of combining civilian and military, peacetime and wartime. Military industrial enterprises produce a very small proportion of goods for civilian use. For example, there are good conditions and a great potential in the military industry enterprises for the production of meters, sound recorders, televisions, video recorders, etc., and if they could produce more of the civilian goods the market demands, not only would it have great significance for moderating the present light industry market, it is also the direction in which something ought to be done to adjust the structure.

6. Communications and transportation are backward.

At present, in the whole country, there are less than 50,000 kilometers of passable railway, while the United States, with a land area approximately the same as ours, has 330,000 kilometers of passable railway. the Soviet Union has 138,000 kilometers, and India has more than 60,000 kilometers. The level of modernization of our railways is also relatively low, traction force is backward, with steam locomotives holding a proportion of 80 percent or more, whereas the United States retains only 4. In addition to this, our overall production arrangements are not sufficiently rational, and this makes what is basically a strained transportation situation bear an even heavier load.

Our ports are likewise not up to requirements, and their freight handling capacity is very low. At present there are only 137 10,000-ton berths in the whole country, but there are an average of 220 foreign trade freighters arriving at Chinese ports every day, only about 90 of which are able to berth, and those unable to conduct operations have no recourse but to be penalized. This kind of circumstances seriously affects the development of international trade.

7. Few points on the commercial and service industry networks.

Along with the development of the economy, it is a common tendency in economic development in all countries for there to be a constant increase in the number of personnel engaged in commerce and service industry. However, the circumstances in our country are not like this. At the end of 1977, the number of regular workers in units under the system of ownership by all the people was an increase of one and a half times over 1957, but the commercial departments had increased by only about one-third, the ratio of commercial workers with respect to total number of workers in the country having decreased from 8:1 to 12:1; moreover, the average number of persons served by each commercial worker increased by 45 percent. In 1949 there were more than 10,000 large and small restaurants and food vendors in Beijing, and later these merged and reduced in number, with more than 9,000 left in 1954, reduced to a little more than 1,100 in 1964, and further reduced to a little more than 600 in 1972, whereas the population of the Beijing metropolitan area increased from a little more than 1 million in 1949 to more than 4 million today. Today, even calculating the vendor's carts and stalls on the streets, there are no more than about 1,000, so from the standpoint of numbers, it amounts to one-tenth those in Beijing immediately following the liberation. These circumstances that obtain in Beijing are repated in varying degree in other metropolitan areas throughout the country.

8. The accumulation rate is on the high side.

For a long time, our country's accumulation rate (the proportion of accumulated production as a part of national income) has been on the high side. During the First Five-Year Plan it was 24.2 percent, generally acknowledged to be relatively appropriate, but in the Second Five-Year Plan it rose to 30.8 percent, during the three-year adjustment period it was 22.7 percent, in the Third Five-Year Plan it was 26.3 percent, during the Fourth Five-Year Plan it was 33 percent, in 1976 it was 31.1 percent, in 1977 it was 32.3 percent, and in 1978 it was 36.6 percent. A high accumulation rate squeezes out consumption, workers' lives do not receive any consideration, and it is difficult to mobilize labor activism fully, which affect the development of production.

9. The scale of capital construction is too large.

Capital construction is done on too large a scale, and the more you pull on the battle line, the longer it becomes, which is a problem that has existed for a long time. For the past few years, we have demanded a compression of the capital construction battle lines year after year, but it has not had much effect, which no doubt has something to do with the system, but it is also a question of economic structure. The scale of our capital construction exceeds the limits of what can be borne by our manpower, material resources, and financial resources. During the First Five-Year Plan, capital construction expenditures accounted for 37 percent

of financial expenditures, during the Second Five-Year Plan this was raised to 46.2 percent, during the three-year adjustment period it was 30.2 percent, during the Third Five-Year Plan it was 38.97 percent, during the Fourth Five-Year Plan it again reached 40.2 percent, and in 1978 it was 40.7 percent. With so many items under construction, under severe insufficiencies of principal building materials like steel, lumber, concrete, etc., the construction period is extended, forming a great many "beard" projects, greatly increased construction costs, inability to achieve production capability, staking large quantities of state funds on something without seeing any result. It is also worth noting that in capital construction, the proportion of productive construction to non-productive construction is also uncoordinated, with the speed and scale of the latter far behind the former. A great deal is overdue in the areas of residential construction, waterways, municipal transport, and greenifying, as well as cultural, educational, and health construction, etc.

10. Equipment utilization rate is low, product inventories are high, and effectiveness of funds is low.

According to statistics, the utilization rate of metal cutting machine tools throughout the country during the past few years has been only about 55 percent. This low a utilization rate is astonishing. The utilization rate for equipment in the United States during the great depression of the 1930's was also only about 50 percent.

There are some products like steel which on the one hand we import in large quantities, and on the other hand we overstock, as in 1979, when our stock reached more than 18 million tons. This is principally because the kinds of products do not meet specifications, and there are also problems concerned with the system and the distribution. At present, almost all enterprises that use steel have steel in storage, enough to meet the turnover of more than one quarter to half a year, establishing layer after layer of storage, overstocking layer after layer. At present, the amount of steel in storage amounts to 8 months' turnover, much higher than in Romania (about 90 days' turnover) or Japan (about 1 month's turnover).

As for the effective utilization of funds, the actual value of industrial product per 100 yuan of fixed capital at industrial enterprises under the system of ownership by all the people was 110 yuan in 1966, fell to 96 yuan in 1976, and climbed to 103 yuan in 1978. The amount of circulating funds used per 100 yuan of industrial product value was 23.5 yuan in 1966, increased to 36.9 yuan in 1976, and fell to 32 yuan in 1978, so the turnover of circulating capital is still very slow. The amount of profit per 100 yuan of industrial product value was 21.9 yuan in 1960, 12.6 yuan in 1976, and 15.5 yuan in 1978, still below the level of 1966. [sic]

11. The man-hour utilization rate is low.

Many industrial enterprises have a low man-hour utilization rate because of lack of electric power, poor planning, or poor management. According to a Beijing municipal investigation, the man-hour utilization rate in 1978 was 84.3 percent, and some subordinate enterprises had a rate of only 74.5 percent. Despite the fact that the amount of fixed capital possessed by each employee increases year by year, the actual labor productivity rate for all personnel (including use of labor outside the plan) was 3.1 percent lower in 1977 than in 1966.

12. Small iron and steel plants and small fertilizer plants have high consumptions and large losses.

The policy of simultaneous development of large, medium, and small enterprises is correct, but we have been too one-sided in the comprehension and implementation of it, never having considered what kind of industry, what kind of production characteristics were after all suitable for large-scale operation, and what kind of conditions were suitable for medium and small-scale operation, but have usually adopted a method of cutting at one stroke, operating large, medium, and small regardless of the industry and its characteristics. In Japan iron and steel production and chemical industry are fundamentally not carried on in medium and small scale because the economic effectiveness of large-scale operation is so high. However, in the area of components and spare parts for the machinery industry and components for the electrical industry, medium and small-scale operations are in the majority. Their scale is relatively small, but their technology is advanced and their products are strongly competitive. Many large plants, to a great extent, have the character of assembly operations, and there is a relatively stable cooperative relationship of specialization between large, medium, and small plants. Medium and small enterprises can recruit labor force and reduce social unemployment, and with relatively low employee wages, product costs are relatively low. At present about 70 percent of the components and spare parts for large-scale Japanese enterprises are supplied by medium and small-scale enterprises. Of course, we in China have our own special conditions, but the Japanese method is worth our reference.

In the past, we operated a great many small iron and steel plants and small fertilizer plants, and they really had a certain usefulness, but because no economic accounts were kept, and we proceeded from a particular emphasis on need, the result was that there was considerable investment, poor quality products, heavy consumption, and large losses. Many enterprises depend on national subsidies to exist. According to statistics, losses by "five small" industries in 1978 accounted for 53 percent of all industrial losses. This problem is one that should find a gradual appropriate solution in any future reform of economic structure, and enterprises with operating losses should gradually be closed down or merged with other enterprises to reduce losses and waste.

13. There has not been deserved development of enterprises under a system of collective ownership by cities and towns.

In the final analysis, any appraisal of forms of ownership must be determined by the level of development of productive force. At the present stage, when our productive force is far from achieving complete elimination of individual ownership, we have raised the system of collective ownership to the level of a system of ownership by all the people. For a long time past, while the rural villages were practicing "poverty transition," the towns and cities were developing the seeds of "urgent transition," but policy was not to sustain or develop collective ownership by towns and cities, so it was restricted. Because of this, in adjusting the question of the structure of ownership of industry, we must proceed from the level of development of productive force and further consolidate and develop the system of collective ownership by cities and towns. Collective ownership, like ownership by all the people, is a socialist system of public ownership and should not be discriminated against.

(III)

The causes of irrationality in economic structure are extremely complex, but looking at it from the standpoint of theory and guiding ideology, there is a direct relationship with the following several questions.

1. Concerning "Priority development of heavy industry."

In the past, in our economic work, we always made the development of heavy industry an absolute, and did not fully pay attention to the corresponding development of agriculture and light industry. Comparing 1978 with 1949, our agriculture had grown 2.4 fold, and industry had grown 38.2 fold; of industry, light industry grew by 19.8 fold and heavy industry grew by 90.6 fold. It is obvious that disparate circumstances like this are inseparable from the theory and practice of priority development of heavy industry. Stalin viewed the priority development of heavy industry as the socialist road to industrialization, and summed up industrializing by starting with light industry as the capitalist road. This is worth thinking about. Industrializing by starting with light industry is certainly not principally determined by capitalist production relations, but is decided by the level of development of social productive force. In the English industrialization, the first field was the textile industry, a measure appropriate to the actual circumstances of productive force at that time, because in addition to guaranteeing raw materials and a marketing channel, the industrial revolution also made good preparations for the development of its technology, and moreover, the accumulation of capital was limited in the initial period of capitalism, and investment in light industry was relatively smaller. It is difficult to demonstrate clearly that on the basis of the nature of socialist production relations, socialist industrialization must begin with heavy industry. There was a rationale to the Soviet Union beginning with heavy industry at the time of its industrialization, because industry had achieved a certain degree of development during the period of Imperial Russia, and moreover, Soviet light industry during the 1920's was determined by the development of heavy industry. However, summing up priority development of heavy industry as a general rule for socialist industrialization is something still to be studied. Practice has proven that many countries giving priority to the development of heavy industry are never able to achieve coordinated development of heavy industry, light industry, and agriculture and to varying degrees reach a situation where heavy industry is predominant, light industry is secondary, and agriculture is backward, leading to irrationality in the economic structure and long-term short supply of consumer goods.

2. Concerning priority growth of the means of production category.

Priority growth of the category of means of production is considered to be an absolute rule for expanding reproduction, and is an important theoretical basis for the priority development of heavy industry. The fact is that in his pattern for analysis of reproduction, Marx did not say that priority growth should be in the category of means of production, nor did he say that it was an "absolute law." Even though the number listed for the first category in the pattern was relatively large, it was emphasized that it should be mutually appropriate with the growth of the second category. Lenin raised the organic components of capital arrived at through technological advance among the principles of expanded reproduction, and simultaneously with his exposition on the priority growth of the first category,

he also discussed the need for the two large categories to be mutually adapted, and pointed out that the priority growth of the first category is conditional. Because of this, late in the 1950's, Polish economist Mingzi [2494 5417] proposed that technological advances can add to the types of means of production and can also diminish the types of means of production, so we cannot assume that priority growth of the categories of means of production is an absolute law. After the war, in some countries for a few years, the first category did not get priority growth. Priority growth of the first category is a long-term trend and cannot be denied, but we cannot demand "priority growth" year after year because of this.

3. Concerning making speed the point of departure and home base of the plan.

There is a point of view that assumes high speed is the point of departure and objective of the plan, that being in proportion is to implement a high-speed measure, and that proportionate relationships must serve the needs of high speed. In drawing up a plan for the national economy, the first thing to think of is what speed do we want to achieve, and for the results of the plan, the first thing to be looked at is what speed was achieved. This viewpoint really makes speed the point of departure and home base of the plan.

In drawing up a plan we cannot ignore speed. However, if we make speed the point of departure and home base of a socialist economic plan, we are mistaken, because this necessarily ignores proportion and may result in a sham speed without any economic substance. The superiority of the socialist system ought to be manifested in the rapid development of production, rapid growth of labor productivity, and rapid improvement in the living standard of the people, for only in this way can we overtake capitalism and win a thorough victory. Our point of departure in drawing up a plan ought to be a regard for the quantity and quality of product that can be provided for the society to consume, to raise the people's living standard without interruption along with the development of production. Therefore, in the plan, we should pay thorough attention to constant rationalization of the economic structure. If we one-sidedly emphasize speed and ignore proportion, even if we achieve the desired speed one day, we will be unable to sustain it for long. After the war, the British labor government had a plan for economic recovery by "tightening our belts," but it was opposed by the masses and finally ended in failure. On the other hand, the Japanese in the 1960's employed a "plan for multiplying the national income" to mobilize the activist spirit of the citizens, and their plan for economic growth was quickly realized. This historical experience is worth our attention.

4. Concerning the denial of a circulation process in the socialist economy.

For a long time, one view has held that there is no circulation process in the system of ownership by all the people, that means of production produced by enterprises belonging to all the people cannot be put into circulation as commodities, but can only be allocated and distributed according to plan, by establishing material distribution departments at various levels. The fact is that under socialism, the means of production are also commodities, and the law of value has a regulating effect on both the production and circulation of the means of production, with plan regulation and market regulation combined in application. The denial that a part of the social product (the means of production) are commodities and so are not permitted to enter into commodity circulation, this thesis, has

caused us great suffering. Now is the time for a thoroughgoing transformation. Last year, the Ningjiang Machine Tool Plant in Sichuan planned to produce 314 small machine tools, but the superior materials department only approved the plan production of a little more than 150, the reason being that they had no distribution prospects for the product. After this plant was made a test unit for expanding the limits of authority of enterprises, it placed its first advertisement in the RENMIN RIBAO in June 1978, and within a month had many units seeking them out, getting orders for more than 700 pieces of equipment in no time. The reason why a single advertisement can have so great an effect is that its implication was that the machine tools were being taken from the materials department distribution track into the channel of social commodity circulation, putting producer and consumer in direct contact and allowing goods to move smoothly and easily. An important reason for a certain inflexibility, a lack of agility, in our socialist economy is the lack of a circulation process. The significance of this advertisement is in that it broke through our original system for distribution of the means of production and developed the effects of a market system, with the result that it satisfied the needs of the users and encouraged the enterprise production.

5. Concerning the rate of accumulation.

In determining an appropriate accumulation rate, we cannot depart from the national circumstances at a given time and a given economic level. Some people say that Japan's accumulation rate has been 30 percent or more for many years, so if our accumulation rate is more than 30 percent, it cannot be considered too much. This formulation is not proper. Because the economic levels of the two countries are so disparate. The average income of a Japanese worker is 20 times that of our workers, and because of this the private savings rate in Japan reaches 20 percent or more, in this way providing large amounts of individual savings to accumulation. Under the actual circumstances in our country, that high an accumulation is clearly not feasible. We should continue to uphold the policy of arduous struggle and building the country through thrift and hard work, at the same time adjusting the accumulation rate.

Practice is the only criterion for the examination of truth. In the practice of socialist construction, we should boldly uphold the guiding function of truth and revisionist error in fully developing correct theory, eliminate the irrational parts of our economic structure as rapidly as possible, and realize the four modernizations. (Manuscript received 13 Dec 1979)

9284
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ECONOMIC JOURNAL DISCUSSES JOINT MANAGEMENT

HK110751 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 15 Sep 80 pp 8-9

[Article by the Dongxihu Joint Enterprise General Company of Agriculture, Industry and Trade of Wuhan Municipality: "Resolutely Take the Prosperous Road of Joint Management of Agriculture, Industry and Trade"]

[Text] With the approval of the Hubei provincial authorities, Dongxihu Joint Enterprise General Company of Agriculture, Industry and Trade in Wuhan formally began our pilot program in October 1979. The 11 farms, 1 dairy company, 4 agricultural scientific and research institutes, 65 medium and small factories under the company had formed a commercial service company, a company for marketing products, an agricultural machinery company, a construction engineering company and a foreign trade company. Within the enterprise itself, 14 basic-level unit shops and 24 purchase and sales departments were set up. In the urban area, five sales departments and restaurants were set up. The whole company owns 360,000 mu of cultivated land, 16,000 mu of orchards, 27,000 mu of water covered area and 1,300 mu of tea plantations. The total population has reached more than 170,000, and there are more than 80,000 employees. Despite the short period of time, the practice of the pilot program has already revealed its strong vitality and preliminary results have been attained.

I. Joint Management of Agriculture, Industry and Trade Has Vigorously Prompted the Development in Production

After the trial running of joint enterprises of agriculture, industry and trade, we have implemented the production policy of "taking farming as the foundation, and production of non-staple food as the focus and integrating agriculture, industry and trade to serve people in the city" as approved by the Hubei Provincial Committee and have attained an all-round increase in production and revenue. In 1979, the total grain output in the whole reclamation area was 222 million jin, which was an increase of 13.2 percent over that of the preceding year, and the yield per mu was 970 jin. The total output of cotton was more than 100,000 dan, which was an increase of 10.3 percent over that of the preceding year, and the per mu yield was 154 jin. In order to change the condition where only a single type of grain was grown and increase raw materials

for processing industry and fodder, three big strides have been taken in the output of summer grain over 3 years. In 1978, 9.8 million jin of summer grain was produced on 52,000 mu of land. In 1979, farmland was increased to 76,000 mu, with an output of 20.8 million jin. This was some improvement. In 1980, the farmland has been further increased to 86,000 mu and the output is estimated to be approximately 28 million jin, an increase of 4 times. In the year 1979 alone, fish ponds covering 5,000 mu were newly built, which equaled the sum total of the fish ponds built since the establishment of the firm. The total output of adult fish has increased from 3.8 million jin in 1978 to 4.5 million jin. The total output of milk was 27 million jin, which was an increase of 6.5 percent over that of the preceding year. Some 73,000 live pigs were sold, which was an increase of 35 percent over that of the preceding year, and 12.1 million jin of fruit were produced, an increase of 34.6 percent over that of the preceding year. Meanwhile, 120,000 ducks were also raised and more than 2,000 bee colonies, 22,000 rabbits and 1,360 sheep developed.

In industry, we carried out adjustments according to the policy of taking "agriculture as the foundation and production of non-staple food as the focus," closed down, ceased production and amalgamated 11 workshops where production and marketing were not in line with one another and there was no supply of raw materials. We organized three factories to change production, expanded the facilities of three non-staple food processing workshops, built five non-staple new food processing workshops and increased the variety of new non-staple food by more than 30 types so that the variety of processed non-staple food in the whole cultivated area was increased from the former 92 types to more than 110 types. The output of processed non-staple food showed an increase of 23.3 percent from 15,000 tons in 1978 to 18,500 tons. The value of output of processed non-staple food showed an increase of 29.9 percent from 21.6 million yuan in 1978 to 28.05 million yuan, and the value of industrial output in the whole reclamation area reached 80 million yuan, which showed an increase of 20 percent over that of the preceding year. From January to May this year, the value of industrial output reached 29.08 million yuan which showed an increase of 25.7 percent over 23.14 million yuan of the corresponding period in the preceding year. Some 53 out of 126 production brigades in the entire reclamation area have set up industries effectively. Under the active support of the provincial and municipal finance and trade department, commerce developed steadily. Since the commencement of business in October last year, speciality companies and the commercial network under the general company signed sales contracts for more than 100 kinds of non-staple food with 18 provinces, 28 municipalities, 36 counties and some fraternal units in the agricultural and cultivation system and contracts for more than 20 varieties of non-staple food, totaling 7.1 million jin, and 6,352 million yuan with the Wuhan non-staple food company. In addition to fulfilling the tasks of planned purchase and allocated purchase assigned by the state, we have marketed more than 110 types of commodities. From January to May this year, the turnover reached 22.08 million yuan with a profit of 1.195 million yuan.

II. Joint Management of Agriculture, Industry and Trade Has Increased Contributions to the State

Over the past year, we have overfulfilled the state plans of planned purchase and allocated purchase on all sides. Not only have the output variety and value of grain, cotton and non-staple food shown a marked increase, but the marketable rate has also been greatly increased. In 1979, out of 222 million jin of grain in the entire reclamation area, 20 million jin was submitted to the state, 41 million jin of grain was supplied to vegetable farmers and cotton growers and 41 million jin of fodder was supplied. The three items above totaled 102 million jin. The marketable rate of grain reached 50 percent. Some 100,000 dan of cotton was surrendered to the state. Fish in the amount of 2.79 million jin were sold on market, and the marketable rate reached 62 percent. Milk in the amount of 24 million jin out of 27 million jin was sold on the market. Live pigs numbering 73,000 were marketed, and the marketable rate was increased from 38 percent in 1978 to more than 50 percent. Owing to the development of agriculture, industry and trade, taxes of various types totaling 9.8 million yuan were collected and this showed an increase of 1.1 million yuan compared with 8.7 million yuan in 1978.

III. Joint Management of Agriculture, Industry and Trade Has Increased the Financial Resources of the Enterprises and Created Conditions for Modernization of Agriculture

Since the building of the state-owned farms here, we have charted many short-term and long-term plans for developing agriculture. However, these plans have basically failed, mainly because there is no guarantee of funds. According to directions from the upper levels, we have again charted long-term development plans this year. These plans similarly require large investments. For example, up to 1985, we have to build 20,000 mu of fish ponds and require an investment of 9 million yuan. An addition of 1,000 cows requires an investment of 3 million yuan and the capital construction of farmland requires 4 million yuan. The investment for industry and commerce, culture and education, hygiene, scientific research, welfare measures for livelihood of employees will total more than 100 million yuan over 5 years with more than 20 million yuan each year. After the implementation of these plans, a certain scale will be attained in the base of non-staple foods. However, these plans cannot be realized through reliance of state investments and all this cannot be attained by a single agricultural economy alone. Only the joint management of agriculture, industry and trade can provide a reliable guarantee for funds. If we calculate accounts according to the profit level in 1979, from 1981 to 1985, the profits for the entire cultivated area can reach 50 million yuan. The depreciation will amount to 30 million yuan, with a total of 80 million yuan. This sum, together with special fund allocations from the state, are entirely sufficient to realize the plans. In the course of charting the plans this time, we further feel that the policies of the party Central Committee are extremely correct. If there are no joint enterprises of agriculture, industry and trade or no policies allowing the farm to retain profits for 5 years, we dare not even think of charting and realizing the above-mentioned plans.

IV. Joint Management of Agriculture, Industry and Commerce Can Fully Utilize Labor Resources and Broadly Open Up the Way for Employment

An important mark in the modernization of agriculture is to increase labor productivity by a large margin. For more than 20 years since the setting up of state-run farms, there has really been a great development in production. However, the increase in labor production efficiency cannot catch up with the increase in labor force. The amount paid for wages is increased year by year and the burden of the farm is getting heavier and heavier. Too much labor power has created a "burden." How can the "burden" be turned into wealth? Joint management of agriculture, industry and trade has provided a possibility for broadly opening up the way of employment for the labor force. Take the Cihuidun farm for example, since it is situated in the suburbs, much land is required for use by the city. Therefore, the surplus labor force is increased year by year. From 1966 to 1979, the labor force was increased by 56 percent, but agricultural production was only increased by 23 percent. Development in production lagged far behind the rate of increase of population and labor force. In order to change this condition, we promoted the employment of a fixed number of people in the agricultural and animal husbandry production brigades. A surplus of 1,064 workers were transferred to industry and commerce. This has developed farm and brigade industries, promoted multiple management and resolved the problem of employment of surplus labor. From January to May this year, the value of industrial output in the whole farm reached 1.97 million yuan which showed an increase of 1.14 million yuan over the 0.83 million yuan of the corresponding period of the preceding year, with an increase of 1.37 times. After the popularization of this experience, the various units of the cultivated region employed a fixed number of workers and there was a surplus of 4,270 labor units. We made use of the superiority in joint management of agriculture, industry and trade to develop industry, trade and multiple management. The surplus labor unit creates a value of output totaling 1,000 yuan every year. This item alone can bring in a revenue of 4.2 million yuan.

V. Joint Management of Agriculture, Industry and Trade Has Raised the Living Standards of Employees

The year of trial running the joint agricultural, industrial and trade enterprise has accelerated the pace of production development and raised the marketable rate and profit rate, improved the livelihood of employees and brought obvious advantages. In 1979, there were more than 80,000 employees in the entire cultivated region and the average income per worker reached 580 yuan. This was an increase of 100 yuan over that in 1978. For a population over 170,000, the average income per capita was 260 yuan, which was an increase of 50 yuan over that in 1978. In the statement of accounts at the end of the year, workers on the average received 3 months of extra pay. Savings for employees amounted to 3.49 million yuan at the end of 1978, but reached 4.61 million yuan at the end of 1979, an increase of 1.12 million yuan. At the end of May this year, this has again been increased to 7.79 million yuan with additional savings of more than 50 yuan per capita. There has also been improvement in the collective welfare of employees. In 1979, the amount of welfare funds used reached 4.16 million. This was an increase of 36.7 percent over the 3.044 million yuan in 1978.

Practice has given the best answer: joint management of agriculture, industry and trade is the road to prosperity by which the countryside rids itself of poverty. The employees say: If this is carried out, there is work in the countryside and hope for peasants.

But it must be seen that, owing to the lack of experience, we will still encounter many contradictions and difficulties before the major reform of the entire economic system. For example, how do joint enterprises carry out economic coordination within the enterprises themselves? How do they develop and link up connections outside the enterprises? How do they handle better the relationship with monopoly trades and so on? All this awaits exploration and advancement through practice.

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BETTER USE OF TALENTS OF FORMER INDUSTRIALISTS, BUSINESSMEN URGED

Beijing RENMIN RIBAO in Chinese 25 Sep 80 p 5

[Article by Sun Qimeng [1327 6386 1322]: "Bring the Positive Role of Former Industrialists and Businessmen into Play in Modernization Construction"]

[Text] A shortage of qualified personnel has been one of our country's acute problems in carrying out the four modernizations. In order to resolve this contradiction, in addition to making education broadly available and speeding up the training of personnel, it is also necessary to provide extensive opportunities for people of ability, develop people's talent to the utmost and utilize it to the utmost. In this connection, former industrialists and businessmen, including the intellectuals among them, are a group which must not be ignored. We should thoroughly mobilize this group for modernization development.

Creatively utilizing the principles of Marxism and Leninism, our party has successfully destroyed capitalist ownership through peaceful transformation, and has transformed the vast majority of the national bourgeoisie with labor capabilities into self-supporting workers. This is a great achievement in world socialism. In this work of transformation, enterprise transformation and human transformation were carried out in connection with each other. Guided by party policy, former businessmen and industrialists have not only been subjected to socialist transformation, but have also taken part in socialist construction. Currently, to bring their positive function thoroughly into play in modernization development is their wish and also the responsibility of our party and government.

In the old society, most of the enterprises managed by the national bourgeoisie were medium and small ones. Very few people in them made their livelihood by "clipping coupons"; most of them were engaged in enterprise management. Many of them still know about production techniques or have a rough idea of them. They have their special strong points in managing medium and small enterprises, and particularly in managing certain traditional lands of production and traditional services. Some of them are intellectuals or technicians who acted as capitalists' agents, and they are especially suitable for use.

It cannot be denied that the enterprise management experience of former industrialists and businessmen is in some respects backward and outmoded, especially where it maintains a feudal character or reflects the exploitive nature of capitalism, and this we must completely negate. However, the national bourgeoisie's management experience is useful to us in many respects. Our national bourgeoisie

is indigenous to China and grew up under Chinese conditions, generally existing in the cracks between heavy imperialist, bureaucratic capitalist and feudal oppression, and accordingly they have preserved many good traditions of our national economies: (1) they are relatively acute observers of the masses' needs and the trends of the domestic market and they know how to use time, space and the production system to the best advantage in running an enterprise; (2) unlike the bureaucrat merchants, they have a relatively good service attitude and flexible management methods and are able to flexibly find production, exchange and circulation methods in changing situations so as to keep business active; (3) they have the management approaches and traditions of making precise calculations, repairing and recycling, and stressing results; (4) they generally know how to win the consumer's trust and they work hard to make a name for themselves: some of the long-standing trade names which have been passed down from generation to generation in light industry, handicrafts or services have become their special style, and some of the entrepreneurs have even accumulated their own unique skills. These kinds of management experience, with clearly unique Chinese characteristics, are a great treasure of our natural national economy. We would be wrong to cast them aside; we must preserve them and use them in socialist modernization.

Can it be said that the experience of former businessmen and industrialists in managing medium and small enterprises can find no use in our country's modernization development? No. Our country now has more than 300,000 industrial enterprises, the vast majority of which are medium and small sized. When our country modernizes, it must create some large-scale, technically advanced key enterprises, but even more importantly it must set up medium and small sized enterprises, particularly labor-intensive ones. These are a fundamental requirement for Chinese-style modernization. Modernization does not necessarily require large numbers of big factories. Currently the vast majority of plants in Japan, West Germany and the United States are medium and small sized ones. Our populous, far from rich country should take medium and small sized enterprises even more seriously. It is a mistake to think that modernization means having lots of large plants. The characteristically Chinese management experience of our country's national industries has a certain reference value not only for medium and small sized enterprises but even for large-scale ones.

Some former industrialist and businessmen have certain economic relationships with Hong Kong, Macao and Taiwan, with such capitalist countries as the United States, England and Japan, and with some Third World countries, as well as having some understanding of their economic and technical and engineering circumstances. Even today some people's family members and close friends are managing various kinds of economic operations there. If we can consciously make use of these connections and channels to help us understand foreign markets and technological trends, to bring in manufacturing equipment and capital, and to establish import and export trade, they will be beneficial to us.

Since the Third Plenum, the party Central Committee has made a solidly-based analysis of the fundamental changes in our country's social class situation, has clearly proclaimed that the capitalists no longer exist as a class, and has drafted a series of policies regarding nondiscrimination for all former industrialists and businessmen, which have given the latter great encouragement. They have said: "Our position has changed, and our responsibilities have become heavier," and "The party and the people have proclaimed us to be on their side, so we must devote

ourselves to the four modernizations." More and more of them are putting their production technology and management experience at the disposal of the cause of socialism, and have made new achievements. It should be said that in the last few years, work with former businessmen and industrialists has made great progress, but there are still some questions awaiting further resolution as regards ideology and understanding, backward policy, and organization and management.

As regards ideology and understanding, the primary problem is that of further eliminating the influences of the ultraleft line. The influence of the ultraleft line is still rather profound among some cadres as regards treatment of former businessmen and industrialists. Currently there are still some comrades who have doubts about the party Central Committee's theory and practice in this matter or who even take an attitude of opposition to it. They believe that the proclamation that the capitalist class no longer exists "may be rightist." Some comrades cannot accept it when they read in the papers that the former businessmen and industrialists are on our side, and believe that this is just a measure to mobilize the former businessmen's and industrialists' activism. It should be made clear to these comrades that the party Central Committee's policy toward former businessmen and industrialists is a principled policy based on a scientific analysis of the social class situation which has been carefully thought out in the new historical circumstances, and is in complete accord with past history and the present status of our country's class situation. These comrades should be given continued education in the party ideological line of finding what is right from the actual situation, as well as theoretical and policy education regarding the party's united front. The party and government leadership at the basic level in the enterprises is a key line in implementing the party's and government's policy with regard to former businessmen and industrialists, and accordingly this propaganda and education work must be consistently carried out down to the basic level, and the propaganda and education work should be closely coordinated with helping the basic level to place and utilize former businessmen and industrialists effectively and to work out good relations with them.

As regards implementation of policy, in the present situation effective implementation of the policy of placing and utilizing former businessmen and industrialists is another important task. Currently the mainstream of implementation of this aspect of policy is good, but there are also some problems and some uneven development. If we compare the technicians among former businessmen and industrialists with the management personnel, the policy has not been implemented for the latter group as successfully as for the former group; if representatives of these groups are compared with personnel in general, the implementation has been better in the case of the formal group; if we compare the units in which they are located, in general the basic level units are not doing as well as the upper level leadership departments. Some persons who are capable of taking on administrative and management jobs or technical jobs are still making their living by physical labor; some are given positions with no power, making them a sort of "furnishing"; others are doing their work and are willing to take responsibility but have been given no title for a long period; still others are not being accorded comradely cooperation, but are treated with prejudice and coldness. These circumstances must be rapidly set right.

At present the reasons why problems regarding placement and utilization of former businessmen and industrialists are not being well solved, other than the

abovementioned problems of ideology and understanding, also include the fact that some leadership cadres lack an understanding of their special strong points and other circumstances and have no ideas about placing them and utilizing them, so that they cannot propose any effective method of solution. To understand this problem better, they can refer to the methods used in 1956 for joint public-private management, when the former businessmen and industrialists, it has already become a transitional kind of work. What is much more important is that the party's and government's cadres policy and staff and workers policy be fully implemented for former businessmen and industrialists, with suitable account taken of historical circumstances and certain special characteristics.

In order to bring the positive effect of former businessmen and industrialists, and particularly older, retired ones, into play to the maximum possible degree, attention must be paid to successful organizational and management work. The relevant leadership departments, political consultative organizations, democratic parties and people's organizations in all locations can permanently organize their former workers and former businessmen and industrialists according to trade or type of work to study specialized questions of economic construction with them, propose suggestions and reform programs. Some retired former businessmen and industrialists are actively requesting the chance to make an effort for modernization, and they may be organized in suitable ways. We must not only be able to use this group of workers effectively, but also must devote attention to protecting it.

Recently, party and government leadership in such places as Shanghai have encouraged China Democratic National Construction Association and industrial-commercial associations to set up various "four modernizations service groups" among retired former businessmen and industrialists; in some cases small groups have been set up trade by trade or neighborhood by neighborhood to give advice to small enterprises or neighborhood collective enterprises, and to improve their production techniques and their management and administration. Some localities have also helped neighborhoods to start collective economic operations and to find work for unemployed youth. All of these activities have produced excellent results. Some areas are organizing retired former businessmen and industrialists in various ways so as to hand down their accumulated special capabilities and special skills to succeeding generations and assure the continuance of certain precious national craft traditions. These approaches have been welcomed by the local economic organizations and by the retired businessmen and industrialists themselves. In order to carry out modernization, we must adopt effective measures to bring their latent potential fully into play.

8480
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SOCIALIST ECONOMIC SYSTEM PRAISED

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[Article by Zhu Tiezhen [2612 6993 5271], Chinese Academy of Social Sciences' Economic Research Center: "Taking a Dialectical View of the Superiority of the Socialist Economic System"]

[Text] It has been over 100 years since scientific socialism emerged as a great ideology, and over half a century since it became a new social system. To replace capitalist society with a socialist one is both a tremendous leap forward in world social development and a great revolution in world social systems. The intrinsic superiority of the socialist economic system over the capitalist one has long since been proved with Marxist-Leninist theories and by putting into practice proletarian revolution. Yet, this question, which should not arise, has again been raised today. How did this happen? Why do some people still question our socialist economic system? Moreover, why was this question rarely asked during our First Five-Year Plan, and almost never during the Second Five-Year Plan or even the 3 years of economic hardship, but has been raised considerably since the "gang of four" was smashed? The reasons for this are numerous.

A lot of questions were veiled during the 10 years of upheaval. Under the banner of Marxism-Leninism-Mao Zedong Thought, Lin Biao and the "gang of four" peddled the fallacies of counterrevolution to our people, so that many of them were deceived and to a certain extent "believed" fake socialist things. Some people did have doubts, but never voiced them. Since the "gang of four" was smashed, there have been basic changes in our political scene. As the dicussion on "practice is the only criterion for testing the truth" gradually intensifies, people are beginning to eliminate superstition, liberate their minds and think. Naturally, a lot of questions not mentioned or realized before are now being raised. A considerable number of people are raising questions due to their concern for the future of our country and race, righteous indignation with Lin Biao and the "gang of four" and the devastation they caused to socialism, and in the hope that the present contradictions will receive attention and be solved as soon as possible. Therefore, this phenomenon must not be criticized as bad. Yet, we should also note that for many years we have propagandized the superiority of the socialist system in a much too extreme and simplistic way. Moreover, due to the

devastation caused by Lin Biao and the "gang of four" and our mistakes in work, the superiority of the socialist system was not brought into full play. This has easily led to the popular belief that "theory" is one thing and practice is another. Often people cannot treat concrete questions properly. They tend to generalize and confuse appearance with essence. Consequently, some comrades begin to question the socialist system and to a certain extent even waver in their faith and determination to struggle for the four modernizations.

The above account shows that even today there is an immediate significance to following the basic theory of Marxism in order to understand the essence of the socialist economic system and taking a historical and dialectical view of the superiority of our socialist economic system at present.

1. To Look at the Superiority of the Socialist Economic System From Its Essence

The development of the socialist economic system, like that of every objective reality, is full of contradictions and ups and downs. It reveals a picture of complication and entanglement. As such we should not employ simple and direct methods to treat the superiority of the socialist economic system. Instead we must employ a dialectical method to analyze concretely the contradictions in real life, grasp the essence of things and distinguish truth from illusion.

Lin Biao, the "gang of four," Kang Sheng and his small group caused disorder and confused right and wrong during the 10 years of chaos. Outwardly they practiced "socialism," actually they indulged in feudalistic fascism. The "socialism" they advocated was built upon mass poverty and autocratic rule. They were opposed to promoting social productivity, ignored the people's well-being, and advocated such things as "rather have a poor socialist country," "it doesn't matter that life for 80 million people is a bit miserable" and so forth. To take such fake socialism for scientific socialism causes confusion between things which are different in essence, and hence the inability to see the superiority of the socialist economic system in its true light.

There is an essential difference between the scientific socialist economic system and the fake socialism practiced by Lin Biao and the "gang of four." According to analysts of Marxism, socialist public ownership can adjust to the means of production necessary for highly developed productivity and highly socialized large-scale production. This is an essential feature of the socialist economic system, which explains why it is superior to the capitalist economic system.

Historical dialectics reveals that the victory of socialism did not first appear in developed countries where production was highly organized and productivity developed. Rather, it appeared at different times in economically backward countries such as Russia, China, and so forth. Inspite of this, socialist victory in a series of countries still proves through practice that in terms of historical development, it is an inevitable tendency

for socialist public ownership to replace capitalist private ownership. The antagonism between the socialization of production inherent in capitalism and capitalist private ownership can be solved only when the means of production becomes publicly owned. This is an objective demand in the development of productivity, an objective law that is not guided by personal preference. This is the key to our understanding the superiority of the socialist economic system. The "gang of four" repudiated our socialist public ownership and described it as "capitalist roaders' ownership." Their aim was to completely negate our socialist economic system in order to shape public opinion in favor of expanding class struggle and usurping party power.

The birth of socialist public ownership brought a fundamental change to human economic relations. It upset the situation in which the producer was divorced from the means of production and fundamentally changed the laborer's position and the nature of labor. Under the capitalist system, the means of production is in the hands of the capitalist. Workers have to sell their labor, be exploited economically and suppressed politically. Workers' livelihood may have eased in some developed capitalist countries, but the workers' position as paid slaves for the capitalist class has not substantially changed, nor is it likely to. Whereas under socialist public ownership, the laborer has emerged from the exploited slave of the past to be the master of the means of production. Though close integration between the laborer and the means of production only develops gradually and our laborers' standard of living still lags behind their capitalist counterparts, this is only a brief historical phenomenon. The basic question remains that "for hundreds and thousands of years workers have served others and labored for exploiters, now for the first time they can work for themselves." ("Selected Works of Lenin," "How To Organize Competitions?" Vol 3, p 393) The interests of the laborer and that of the entire society are at one. The laborer works creatively for himself as well as for the entire society. This is an essential difference from the past, an earth-shaking change. As Lenin states, "the replacement of compulsory labor by labor for one's self is the greatest replacement in human history." (Ibid) Under the leadership of the CCP, our people have been through extremely arduous struggles and achieved this "great replacement." Social productivity has been liberated from the fetters of private ownership, feudal and capitalist systems of exploitation have been abolished, small-scale production has been reformed, and the absolute superiority of socialist public ownership has been confirmed after going through strict tests. True, the level of our social productivity is still low; in our socialist public ownership two forms still exist, namely, state ownership and collective ownership of the laboring masses. Socialist production relations are still immature and imperfect and a lot of immediate questions have yet to be solved before the laborer actually becomes the master of the means of production. Yet, all things considered, the leadership should be affirmed.

Since all laborers together possess the means of production, they have the same economic interest. This results in a new moral concept and mutual aid and cooperation similar to comradeship between people. People are different in regard to the division of labor in society, not in regard to superior or

inferior, rich or poor. This mutual interest and new relationship can bring into play people's initiative which directs them to strive for a common ideal and target. The common ideal and interest of laborers can form a powerful material strength, so that the laborers can go through thick and thin together and stand all kinds of tests. This fully explains how our country survived the disasters caused by Lin Biao and the "gang of four" during the 10 years of chaos.

Under socialist public ownership, hundreds of thousands of economic units and departments related to the national economy become a unified entity on the basis of common interest, so it is possible to plan and organize national economic activities throughout the country. Nationwide productivity can be reasonably disposed of and natural resources can be put to sensible and effective use. Consequently, we can make use of and spread scientific and technological achievements in good time. These merits are restricted under capitalism. The capitalist economy is built on the basis of private ownership. Since there are acute conflicts of interest between capitalist groups, keen competition is inevitable. It is impossible to regulate the production of the entire society with unified plans. Such phenomena as anarchism in production, abnormal economic development, and economic crisis of surplus production are bound to occur. This results in enormous waste and destruction of social productivity. Of course, enormous waste and destruction will result too if the socialist economy is not implemented well and is not in accordance with economic laws and actual conditions. This, however, is not due to the system itself, but rather to mistakes in work and people's subjectivity which violate objective economic laws.

Socialist public ownership determines the fundamentally different aims of socialist production and capitalist production. "The constant aim in capitalist production is to produce the maximum surplus value or surplus products with the minimum initial capital." ("Collected Works of Marx and Engels," "Theory of Surplus Value," Vol 26 Part II, p 625). The aim of socialist production is to continuously raise and satisfy people's increasing material and cultural needs. This fundamental difference is decided by the objective economic conditions of socialism, and is also demanded by the basic economic laws of socialism. We must not negate this difference and miss the essential superiority of the socialist system just because we did not do well in implementing the aims in socialist production in the period that has passed.

Socialist public ownership decides not only the aims of socialist production, but also the distribution of products. People have equal rights to labor as well as to enjoy the materials and wealth offered by society. This rules out the phenomenon of owning the means of production and hence also gratuitously owning others' labor. In the distribution of individual consumer goods, the principle of "from each according to his ability, to each according to his work" is practiced. Using labor as the yardstick, each laborer gets his rightful share, and he who does not labor gets nothing. This is precisely an implementation of socialist public ownership, which is in accordance with the laborer's interest. Lenin said that "socialism alone will make possible

the wide expansion of social production and distribution on scientific lines and their actual subordination to the aim of easing the lives of the working people and of improving their welfare as much as possible. Socialism alone can achieve this." ("Collected Works of Lenin," "Speech at the First Congress of the National Economic Committee," Vol 27, p 385) At present, our level of productivity is not high and our base is not firm enough. Therefore, the principle "to each according to his work" has not yet been fully implemented and improvements in people's livelihood is still limited. With the development of productivity these conditions will definitely change for the better.

In conclusion, the superiority of socialist public ownership is focused on the foundation of socialized large-scale production, continuous perfection of the combination of laborer and the means of production and the opening up of new paths for the development of productivity, so that minimum labor will bring maximum economic results, labor productivity higher than that of capitalism will be created, and laborers' growing material and cultural needs will be satisfied.

2. To Give Full Play to the Superiority of the Socialist Economic System Is a Historical Process

Production relations have to suit the nature and level of productivity. This universal law of history, with its irresistible inevitability, applies to socialist society. Socialist production relations can develop only as productivity develops. There is a process for the development of productivity, just as there is one for socialist public ownership. At different stages in the development of socialism, public ownership varies in the degree of maturity, so do the characteristics, form and superiority that it reflects. Therefore, to give full play to the superiority of the socialist economic system is a stage in the historical process. Any means intended to supersede the process will only revert to the other extreme.

Our socialist public ownership at present is different not only from the advanced stage of public ownership in a communist society, but also from the socialist public ownership of the first stage of communist society conceived by Marx and Engels, namely, socialist public ownership whereby society possesses all the means of production and commodity production no longer exists. Due to our backward productivity and unbalanced development, we cannot realize unitary socialist public ownership. Moreover, we cannot avoid some individual ownership and state capitalist ownership. A commodity economy exists in production, exchange, distribution and consumption. We can put it this way: public ownership at present is both advanced and immature. It needs continual adjustment to the development of productivity in order to reach perfection. The superiority of socialist public ownership will increase with rising social productivity and the gradual perfection of social relations. Viewed in this light, it is unrealistic to ignore this historical process by evaluating lower level superiority as advanced level superiority, and by doing prematurely at present what should be done later, for this will only bring undesirable results. In the past, we suffered tremendously from this. For a long time we have been influenced by "leftism." We have been so naive as to believe that as long as we could change production

relations, we would increase productivity. We have not started from the actual development of productivity. In particular, we have not considered the difference in productivity levels in various areas, departments and units of production. Instead we have wrongly believed that the larger scale and the higher the degree of public ownership, the better. Consequently, several reforms of production relations were carried out hurriedly and rashly, which devastated productivity and crippled economic development. Regarding distribution, equalitarianism has been practiced instead of distribution according to work, and such phenomena as "holding an iron rice bowl" and "eating out of a common pot" have been quite common. Ignoring the existing difference in labor, we have tried to adopt "narrowing the gap between the rich and the poor" as a means of prematurely wiping out the three big differences and the commodity economy and of abolishing wages and currency. The basic causes of this problem lie in the negation of the phases in a socialist society, the violation of the law that production relations must adjust to the nature of productivity and exaggerated subjectivity. Facts reveal that mere "transition" does not suffice: socialism can only be built on the basis of highly developed productivity. Divorced from the actual level of productivity, reforms in socialist production relations will not advance, but will merely destroy them. In this way, the superiority of the socialist economic system of course cannot materialize.

Yet, we must not misunderstand that there is little, if any, superiority in our present socialist economy, and that it will emerge only when socialism matures, for this is not true. Practice is sufficient evidence to show that our present ownership by the whole people and collective ownership supplemented by some individual ownership and state capitalist economy is basically in accordance with the development of our present level of productivity. The superiority of this system is not matched by that in old China, developing countries or even developed capitalist countries. Perhaps some people will raise question such as: If so, why do we lag far behind developed countries in agriculture and industry in terms of the absolute level of productivity and labor productivity? Why does our national economy not develop quickly? To answer these questions we need to make a concrete historical analysis. We should not just draw simple analogies.

In handling any question we must be realistic and analyze both subjective and objective conditions comprehensively. The reasons for our low level of productivity and labor productivity are many. First, our productivity was originally very low. Old China was a semicolonial and semifeudal country with a backward economy, an awful mess with gaping wounds. Before the liberation, the value of modern industrial production was only about 10 percent of the total value of national production. In 1949, only 158,000 tons of steel and 32.4 million tons of coal were produced. Seventy percent of industry was manual. When we started to build socialism our economic foundation was weak, which brought long-term difficulties to the development of productivity and especially to labor productivity. Second, socialism has only been in effect for a relatively short period. Capitalist countries have been through a long journey to reach their present huge productivity. As early as the 15th century Britain entered the period of

primitive capitalist accumulation. American industrial development has a history of 200 years. Industrial development in other capitalist countries is also over 100 years old. In China, however, socialism has been in effect for a mere 30 years, which explains why it is impossible for it, an economically backward agrarian nation, to catch up immediately with developed industrial nations. Third, we lack experience in socialist construction and have been disturbed by "leftism" for a long time. After the basic completion of the three big reforms in 1956, we should have shifted the focus of party work to socialist construction straight away. Yet, for one reason or another, we have not been able to carry out this strategy. The situation was especially bad during the 10 years of chaos, when Lin Biao and the "gang of four" advocated the escalation of class struggle, replaced production struggle with class struggle, opposed the development of social productivity, encouraged "determinism," and gravely violated objective economic laws. As a result, our national economy was on the verge of collapse and the socialist economic system was severely wrecked.

Meanwhile, we should see that even though our level of productivity is still below that of developed industrial nations, and that our socialist economic development took unexpected turns along a winding path, our socialist construction has still achieved a lot over the past 30 years. In 1979, we already had 350,000 industrial enterprises, the fixed assets of ownership by the whole people reached 320 billion yuan, which is 25 times old China's fixed assets accumulated during almost 100 years. These enterprises are now a reliable foundation for our modernization. Although the development of our national economy is sometimes fast and at other times slow, it is still fast compared with that of developed capitalist nations.

Of course, we must confess that we have wasted a lot of time on ineffective labor and that problems in the national economy still exist. At one stage national economic plans only emphasized production development, but not improvement of people's livelihood; only on high speed, not on keeping in proportion with other factors. Too high a rate of accumulation and too extended a basic construction front not only affected people's livelihood, but also reduced the economic effects of investment, which in turn resulted in vast waste of manpower, resources and capital. Mistakes were also present in distribution and salary structure, which were not integrated with our country's concrete features. In particular, there were no continuous reforms dealing with the actual development of production, and the effect distribution had on production was either neglected or ignored. Besides, problems abounded in economic and enterprise management. Administrative methods were overemployed in economic management. Too much centralization only resulted in obstruction. The departments and areas formed their own systems, which they named "big and complete" and "small and complete." They did not bring superiority into full play nor pay attention to economic effects; they were hedged in with their own rules and regulations, and socialist economy then was dull and low. All this hindered the promotion of the superiority of the socialist economic system.

Had we followed objective economic and natural laws to give guidance to economic undertakings in order to avoid serious faults, and had there been no destruction caused by Lin Biao and the "gang of four," the superiority of the socialist economy system would have been consistently brought into full play. In this way, national economic development and improvement in people's livelihood could have come about faster, and the achievement could have been more remarkable. The events that have taken place since the fall of the "gang of four" fully proved this point. Over the past 3 years, our decrepit national economy has recuperated and developed more smoothly. The year 1979 saw an increase of 15.8 percent as compared with 1976 in the total value of agricultural production and 40.2 percent in industrial output. Basic construction, finance and trade have also expanded. In terms of production development, the party and state made a great effort to take measures to ease people's debts in livelihood. In 1979 alone more than 10 billion yuan was allocated to the working class as increased wages in the form of adjustment of purchasing price for farm produce, adjustment of wages, and bonuses, investment in the construction of staff living quarters in towns saw an increase of 83 percent from 1978 to 1979. To clear the debts accumulated over a long period in a few years is certainly impossible. Even if the debts are cleared, people's livelihood should be further improved.

3. To Give Full Play to the Socialist Economic System, We Must Persist in Following Objective Economic and Natural Laws

The superiority of the socialist economic system is not spontaneous. It does not automatically appear with socialist public ownership. It is only an objective probability, and probability is not synonymous with reality. Whether probability can become reality depends largely on whether people follow objective economic and natural laws.

Economic laws are abstract and invisible, yet they are an irresistible force that exists objectively. How we understand and apply them under the socialist economic system is of vital importance. When economic and natural laws are observed, the superiority of the socialist economic system will be given full play and the result will be delightful; the opposite will result in punishment. Especially when socialist public ownership is wrongly applied, the mistakes will form a vicious circle in the entire national economy and the consequences will be even more disastrous than those in capitalist private ownership. Stalin points out that "there we see economic, commercial and financial crises, which affect individual groups of capitalists. Here, in our country, things are different. Every serious hitch in trade, in production, every serious miscalculation in our economy, results not in some individual crisis or other, but hits the whole of our national economy." ("Collected Works of Stalin," "The 14th Congress of the CPSU (B)," Vol 7, p 284) The 10 years of chaos was thus: the national economy was totally retarded; science, technology, culture and education were all crippled; people's socialist initiative was tremendously undermined. All this was indeed distressing.

Our party is one that insists on seeking truth from facts and on learning seriously from our own positive and negative experiences alike. Since the 11th National Congress, and especially since the 3d Plenary Session of the 11th CCP Central Committee, the party has drawn on past experiences and actual

conditions to lay down line and policy, which includes the cardinal decision to focus party and state work on building socialist modernization, and measures to adjust, reform, reorganize and raise the national economy. Practice proves that this is in accordance with objective economic and natural laws, and that this is correct. Since implementing party line and policy, people's livelihood, especially that of peasants and workers, has gradually improved, and the chaos caused by Lin Biao and the "gang of four" has basically been transformed into a new situation harnessed by guidance, order, progress, [word indistinct], stability, solidarity and vivacity. We have grounds to predict that, as party line and policy are further perfected, socialist democracy will be given full play.

Laborers' initiative will be aroused, the whole nation will follow objective economic and natural laws, and the superiority of the socialist economic system will become increasingly evident.

However, we must note that the effect of objective economic and natural laws changes with the conditions it is attached to. Therefore, it is no easy job to correctly understand and apply objective economic and natural laws, neither is it a job that can be done once and then forgotten. It is rather a process of endless alternations between practice and understanding. Our subjective understanding is often in conflict with objective economic and natural laws. If we practice them carefully and modestly and link closely with the masses, the conflicts will be better resolved and in time. On the contrary, if, instead of remaining sober, we are conceited, rigid in thought and divorce ourselves from the masses, we shall easily be subjective and one-sided, make decisions that contravene objective laws or even commit the same old errors again. Therefore, although the system is decisive, it is not omnipotent. Stupidity is not impossible under this superior system. The key lies in our wise summing up of experiences, learning from the past and courage to face reality.

We should also note that our socialist society emerged from a semicolonial and semifeudal society. During a certain span of time some evils of capitalism, feudalism and small-scale production economy still remain. These evils are tenaciously reflected in many aspects and they penetrate our economy and politics. Antagonistic forces from both within and outside the nation will also try to upset the construction of socialist modernization when there is a chance. So, in the progress of the socialist cause, difficulties are bound to appear, complications and obstructions are inevitable. As long as we seek truth from facts, seriously sum up past negative and positive experience, learn from them, be brave enough to stick to truth and correct our mistakes, we can turn disadvantage into advantage, negative factors into positive ones, and negative lessons into vast wealth. There are no grounds for us to doubt the socialist system and lose confidence in the great target of the four modernizations in the event of difficulties. Lenin said that "defects, mistakes, blunders in such a new, difficult and great undertaking are inevitable. Those who are afraid of the difficulties of building socialism, those who allow themselves to be scared by them, those who give way to despair or cowardly dismay, are no socialists." ("Collected Works of Lenin," "From the Destruction of Old Systems to the Creation of New Ones," Vol 30, pp 475-476)

We are at a great turning point in the history of socialism, with favorable conditions domestically and abroad. We should be full of confidence, cooperate with one heart and one mind under party leadership and build the modernizations in the Chinese style in order to give fuller play to the superiority of the socialist economic system.

CSO: 4120

BRIEFS

QINGHAI GOLD, SILVER PURCHASES--In 1980, Xining branch of the Chinese People's Bank increased gold purchases 9.6 times, silver purchases 10.1 times and silver coin purchases 3.7 times over 1979 figures. [Xining Qinghai Provincial Service in Mandarin 2330 GMT 29 Oct 80 SK]

XINJIANG BANK LOANS--The Xinjiang branch of the People's Bank of China will extend 20 million yuan short- and medium-term loans to Xinjiang's light and textile industries in 1981, 7 million yuan more than the loans in 1980. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 24 Oct 80 OW]

CSO: 4006

ENERGY

ENERGY RESOURCES DEVELOPMENT SAID SERIOUSLY LAGGING

Shanghai WEN HUI BAO in Chinese 30 Aug 80 p 3

[Article by Jin Xingren [6855 5887 0088] and Xu Hongyi [6079 7703 0308]: "How To View the Energy Resources Question"]

[Text] Energy resources constitute an important material base for developing the national economy and raising the people's standard of living. Since the founding of the nation, even though energy resoruces industries in our country have undergone extensive development, requirements for energy resources have grown greater even as socialist construction in our country has developed by leaps and bounds. Energy resources production is still not keeping up with growth in national economy development and in requirements for the people's livelihood. The speeds at which the two are developing are not equal, and there is a serious proportional imbalance.

Chief among the causes leading to the serious proportional imbalance between energy resources and the national economy are, for one, the interference and damage wrought by Lin Biao and the "gang of four" and our insufficient understanding of objective law, which affected progress in basic construction in the coal and electric power industries and in geologic exploration for petroleum. This created a proportional imbalance in coal excavation and in petroleum storage and extraction, so that during recent times there has not been much new production of energy, and the volume of energy resources production has been quite low. For another, the economic structure and economic management system have not been rational, production organization and energy resources management have not been satisfactory, and production facilities and production technology have been backward, etc. These have resulted in an excessively high energy resources consumption co-efficient, very low energy resources utilization efficiency and serious energy resources wastage. In this way, a serious ongoing energy resources supply shortage of many years' duration has occurred. The energy resources question has become a serous obstacle to the furthering of development of our country's national economy. Thirty years' experience has told us that if we wish to truly resolve the present energy resources question, we must proceed with a great amount of work, with the foremost tasks being the heightening of ideological understanding of the energy resources question and the building of all the tasks for resolving the energy resources question on the scientific foundation of the dialectical materialist line.

Thus, to resolve the energy resources question, which items of ideological understanding should be heightened?

Heighten Understanding of the Significance of the Energy Resources Question

In comparison with other natural resources, energy resources are characterized by a requirement for a lengthier period for exploitation, greater capital investment, a broader area of use, continuity and linearity of depletion, leading position with regard to production and exchangeability of type. They are important factors in the production of the national total production output value, and maintaining a regular proportional relationship between energy resources development and national economic development is likewise an important factor in regular development of the national economy. Owing to an insufficiency of natural resources in our country for many years, it is impossible to bring into play approximately 30 percent of the industrial productive force, and the output value thus lost is approximately 20 percent of the total nationwide industrial-agricultural output value. However, for a long period we have lacked understanding of such points as: the significance of the energy resources question, (the fact that) energy resources are prerequisite factors in development of the national economy, the dependent relationship between economic growth and energy resources, the necessity for the energy resources growth rate to be greater than the national economy growth rate, the need for energy resources to be in the vanguard. In the early 1960's, we exerted great efforts in opening up major oilfields such as Daqing, bringing our country's petroleum production charging up from 29th place worldwide at the founding of the nation to 8th place, thereby basically satisfying our country's self-sufficiency needs in petroleum. In spite of this, however, and in view of the leading ideology of that time, what was chiefly in mind was breaking the imperialist shackles, and extracting "contention gasoline" and "anti-revisionist oil," and not the understanding of the objective law of which we were fully aware: that the development of energy resources and the development of the national economy must be mutually adaptable. Because of this, the energy resources "vanguard" in reality never went in the lead. Taking electric power production as an example, the economic development experiences of the various countries around the world show clearly that for each 1 percent of growth in the national economy, electric power must grow 1.3-1.5 percent. But our nation has not achieved this. For example, in Shanghai, since the founding of the nation, on the average for each 1 percent of growth in the industrial-agricultural output value, electric power generating capacity has grown only 0.76 percent, with electric power construction retarded to a great extent behind industrial-agricultural development.

Again, in view of the utilization of energy resources, with respect to the ideology of the people, there has not yet been the necessary attention brought to bear on the significance of energy resources in production activities and on conservation and rational use of energy resources. Some believe in any case that the relative proportion of the price of goods which the cost for motive power fuel comprises is not great, that by using some more energy resources they are not spending much money and that there is little influence on the economic profits of their own enterprises. Some believe that energy resources which are conserved are not returned to the control of their own enterprises and furthermore they are concerned that the more they conserve, the tighter the energy supply departments will be in the amount of energy supplied to their units. Some believe that production value and volumes are rigid quotas which must be achieved without fail, that checks in the area of energy resources are deficient or lenient and that it

doesn't matter if quotas are achieved with any degree of quality. All of these beliefs are haunted by a lack of attention toward energy resources. The understanding of the significance of the energy resources question must be raised up from the basic level before conservation and rational use of energy resources can be accomplished.

Respect the Objective Laws, Maintain an Overall Balance

For a long period of time, our country's energy resources industries have not only suffered a serious imbalance with respect to proportional relationship to the national economy, but have shown proportional imbalances among the various links within the industries, such as exploration, capital construction, exploitation, processing, changeover, transportation and stockpiling. The coal industry must maintain a rational proportion among the links of opening-up and excavating activities, coal extraction and transportation, and achieve coal faces sufficient for coal extraction through opening-up and excavation, so that extracted coal can be transported out in a timely fashion, before regular progress with mine production can be assured. However, for many years, an ultra-leftist ideology grew with respect to economic building, with blind pursuit of high quotas, high speed, heavy extraction and light excavation. Consideration was paid solely to "getting enough to eat" now, with no regard paid to future "hungry stomachs," with the result that a disporportional relationship between extraction and excavation was created, and the volume of coal diminished. Similarly, within the petroleum industry, owing to the fact that geological prospecting did not keep up, petroleum reserve resources were insufficient, with the result that a disproportional relationship between stockpiling and extraction was created and the level of petroleum extraction decreased daily. Within the electric power industry, generation was heavy while supply was light; overdue bills for electric power transmission and transformer facilities were numerous, and there was a disproportionate relationship between electric power generation, supply and transmission-transforming. Not a few districts had electricity which they could not transmit, or needed electricity which they could not receive. The disproportional relationships within the coal industry imposed a shortage upon coal-generated electric power production, resulting in the electric power industry being unable to develop in a planned way according to proportions, and created an insufficient electric power supply which affected the development of concerned departments in the national economy and led to a chain reaction. From a partial and local disproportional relationship the effects brought about a total disproportional relationship, thereby impeding the speed of development of the overall national economy.

For several years now, owing to the interference and destruction of Lin Biao and the "gang of four," metaphysics has run rampant, with shortages being so-called "positive balances" in the place of practical and realistic overall balances. As a result, energy resources are in seriously short supply, a profound teaching for all. Because of this strengthening of overall balance is a basic precept which is mandatory for the resolution of the energy resources question.

In Speaking of Science, Great Attention Must Be Paid to Economic Results

Economic building must certainly strike fully for economic results. With regard to energy resources, the rational use and full use of energy resources must be considered, as well as the economic exploitation of energy resources, if the maximum

results are to be derived from the limited amount of energy resources. For example, petroleum has many uses; it can be used to make chemical industry raw materials, it can be used to fire industrial furnaces, and it can also be used as fuel for electric power plant boilers. However, efficiency differs among the different uses. One ton of heavy oil used to make chemical industry raw materials is equivalent to more than 3 tons of standard coal, but used as fuel for electric power plant boilers it is equivalent to only 2-plus tons of coal. Because of this, the burning of 1 ton of oil by an electric power plant is equivalent to wasting 1 ton of standard coal. In recent years there has been quite a lot of this type of wastage. Additionally, owing to the facts that in our country at present there are large numbers of energy-using facilities which are comparatively outmoded, production technology is comparatively backward, the level of operations techniques is low, management is unsatisfactory and surplus heat cannot yet be efficiently utilized, a situation has resulted where the energy resources utilization efficiency rate is comparatively low, being around 28 percent on average. This is roughly lower by half than that of industrially developed nations and represents wastage sufficient to frighten anyone.

With respect to the energy resources question, there was no addressing of economic results; this further showed that, under the leading ideology of small-farm economics characterized by failure to operate in accordance with economic laws of socialization's great production, "self-sufficiency" and "each has according to the convenience of each," there was no inquiry into the state of natural resources conditions. A great number of excessively energy-wasting "Five Small" industries were set up; they blossomed all over the place [Tr: i.e. local, small-scale industries in iron, cement, coal, electric power, chemical fertilizer]. In these small enterprises, both the consumption of raw materials and the consumption of energy resources were very high, with economic results low. With respect to the small chemical fertilizer industries: they are an important force in the chemical fertilizer industry of our country, and play an important role in the development of agricultural production. However, with the exception of a small number of enterprises, speaking in general, the quality and quantity of the products from these small chemical fertilizer enterprises were not up to those of large plants, and furthermore their consumption of energy resources was great. In 1979, the small chemical fertilizer enterprises in our country consumed energy in the form of more than 25 million tons of standard coal, and the energy consumption rate per ton of ammonia (produced) was 2.4 times that of large-scale enterprises. Not only was the energy consumption high at the "Five Small" industries themselves, but they moreover often put a squeeze on energy resources needed for regular production by major industries, thus imposing losses in both areas. Under the circumstances of the present serious energy resources shortages, if a number of small enterprises whose energy consumption is high and economic results seriously lacking can be shut down, and production points reduced, the superior role of large-scale enterprises, and those medium and small enterprises whose energy consumption is comparatively low and quality and quantity comparatively good, will be fully brought into play, and this will be beneficial toward alleviating the conflict between energy resources supply and demand and toward the development of the national economy.

Energy resources exploitation should strive for economic results, and must pay attention to setting forth from that which is real, accenting the positives and avoiding the negatives, suit measures to local conditions, and bring into play

the dominant features at various locations. Our country's coal resources are abundant but are chiefly concentrated in northern China, particularly in Shanxi, where deposits constitute one-third of the country's total. The variety is complete, extraction is convenient, it is economical in investment, cost is low, and in accordance with the standpoint of bringing into play the dominant factors, we should exert a major effort in exploitation, and turn Shanxi into the most powerful coal supply base in the entire country. Conversely, in the nine provinces south of "The River," coal resources are not only lacking but are scattered, extraction conditions are poor, economic results are poor, and regardless of whether it's investment or cost, both are higher than in Shanxi. According to statistics, the investment per ton of coal in these provinces is more than twice that in Shanxi, the cost per ton of coal is 2 or 3 times greater, and even if transportation fees are added for sending the coal from Shanxi to Zhejiang, Jiangsu and Hubei, the cost per ton of coal is still 30-40 percent lower than that of coal extracted by these provinces themselves. However, in the past consideration was not given to the objective situation; action was not based on an assessment of strengths or on bringing into play local dominant factors. Through steadfast attempts to revise the circumstances where "northern coal was shipped south," and unceasing reductions in the proportion of investment in Shanxi coal building, 40 percent of the nation's coal geological prospecting strength and several billions of yuan in investments were concentrated in the search for coal in the nine provinces south of "The River," with the result that there was tremendous wastage and results were meager. The coal production volume in these districts grew slowly and affected nationwide energy resources development as well. At present, the state has recognized this problem, and the situation should improve.

9420
CSO: 4006

YANGZHOU FORUM DISCUSSES EXPLOITATION OF JIANGSU'S PETROLEUM

Nanjing XINHUA RIBAO in Chinese 29 Sep 80 p 1

[Article by Gu Liangzhen [7357 5328 3791]: "How about Our Province's Petroleum Exploration and Exploitation Situation, and Future Prospects?"]

[Text] From 24 through 27 September, the Jiangsu Province Geological Society and the Jiangsu Province Petroleum Society jointly convened a "Symposium on the Jiangsu Petroleum Exploration and Exploitation Situation and Future Prospects" in Yangzhou. The symposium analyzed the formation and development of the ancient oil- and gas-bearing basin and discussed the direction to be taken in the search for oil with respect to the aspects of strata, structure, crude oil conditions, oil storage conditions, oil deposit types and prospective geologic reserves.

At present exploration and exploitation are proceeding mainly in the Cenozoic Era oil and gas deposits, in the northern Jiangsu depression; they are characterized by multitudinous oil strata and faults and complex structures. Thus prospective geological reserves are comparatively great, although oil deposits are mainly of the small type and are scattered, and impose quite a lot of hardships on exploration and exploitation. This requires that we raise the level of exploration and exploitation work, and carry out work in seismologic exploration, exploration drilling, and geologic scientific research. At the same time, study obviously must be intensified in the remaining Mesozoic and Paleozoic Era oil and gas in both northern and southern Jiangsu. Attention should especially be directed to the search for Paleozoic buried hills deposits, everything possible done to lay the foundation (for this work) within 2-3 years, and achieve fairly great strategic results within 5-10 years.

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SHANDONG POWER INDUSTRY CONSERVES COAL, ELECTRICITY

Jinan DAZHONG RIBAO in Chinese 10 Oct 80 p 1

[Article by Xu Zongzhong [1776 1350 0022]: "Results of Conservation of Coal and Electricity by Electric Power Industry in Our Province Are Obvious"]

[Text] By stressing energy conservation and conducting thoroughgoing development of activities to increase production while conserving energy, the broad staff and workers in the electric power industry of our province have brought about a steady rise in generated electric power volume, while decreasing coal and electricity consumption targets year by year. During the 3-year period 1977-1979, generated electric power increased 43.2 percent, with per-kw hour consumption of coal being decreased 25 grams. The in-plant electricity consumption rate decreased by 0.76 percent for a savings of 350,000 tons of coal and 1.7 trillion kw hours. From January through September of this year, owing to continuing reduction in coal and electricity consumption, there was a savings of 172,000 tons of coal and 29 million kw hours of electricity.

For several years, in carrying out activities to increase production while conserving energy, the electric power industry departments of our province have persisted in making energy conservation work into a work project of a protracted nature which must be grasped, have earnestly formulated and carried out energy conservation measures, and gone all out in technological innovation. They have continuously remodeled facilities and raised the effectiveness of energy resources utilization. Since 1977, they have completed a total of more than 2,500 technological innovation projects, among which were 268 major innovations. In the area of remodeling facilities, they proceeded from installation to installation, grasping in a planned way those key projects which had greatest effect on energy conservation. Up to now, of the 57 large and medium-type water supply pumps throughout the province, 47 have been made over into high-efficiency pumps. After remodeling, their average rate of efficiency was raised more than 25 percent.

One important measure employed by electric power industry departments for conserving energy resources has been the unceasing reform of electric power grid management through strengthening of unified control and economic operations. They have accentuated the positives and avoided the negatives by effecting appropriate shut-downs of medium and small generator groups whose thermal efficiency rates are comparatively low and coal consumption rates are comparatively high, and by operating more large generator groups whose thermal efficiency is high and coal consumption is low. They have fully brought into play the advantages of the large

electric power grids and large generator groups. In 1979, the proportion of electric power generation by high-temperature high-voltage large generator groups increased by 3 percent in comparison with 1978. This year, during the period January through September, it has again increased 8.2 percent when compared with the same period of last year. Through this alone the per-kw hour coal consumption was reduced 9.8 grams, achieving a savings of 134,000 tons of coal.

The electric power industry provincewide also exerted utmost effort in organizing provincewide "small target figure" competitions whose chief aim was energy conservation. They implemented the energy conservation targets down to the workshops, shifts, team and individuals, thereby providing a mass foundation for energy conservation activities. The provincial electric power industry bureau divided electric power generating and supply units provincewide into 17 plant competition teams according to their various different categories. The conservation of coal and electricity was made the chief aim of the competition and a definite period was set after which there would be inspection for the purpose of comparison, exchange of experiences and helping each other go forward. They also combined labor competition with economic interests of the masses and increased or decreased bonuses appropriately according to the degree of success achieved in meeting energy conservation targets. They greatly aroused the enthusiasm of the broad staff and workers and promoted the thoroughgoing development of energy conservation work.

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BRIEFS

ZHEJIANG ENERGY SERVICE COMPANY--Hangzhou, 29 Oct (XINHUA)--An energy technical service company has been established in Sheng County, Zhejiang, to help promote the development of marsh gas in the urban and rural areas. During the first 9 months of this year, the company assisted building 1,920 marsh gas pools. At present the county has more than 11,200 marsh gas pools and has become one of the counties in Zhejiang where utilization of marsh gas has been fairly developed. [Beijing XINHUA Domestic Service in Chinese 0124 GMT 29 Oct 80 OW]

JILIN POWER CONSERVATION--Tonghua Municipality, Jilin Province, had conserved some 17,000 tons of coal, more than 3.1 million kwh of electricity and 683 tons of oil by the end of September. This municipality had also modified 26 oil-consuming boilers and installed power-conserving equipment at 36 key power-consuming units and oil-conserving equipment in about 82 percent of the trucks. [SK310710 Changchun Jilin Provincial Service in Mandarin 2200 GMT 28 Oct 80]

SHANDONG POWERPLANTS--From January to September, powerplants in Shandong Province generated 10.4 percent more power than in the corresponding 1979 period. Some 185,000 tons of coal and 80 million kwh of electricity were saved. [SK310836 Jinan Shandong Provincial Service in Mandarin 2300 GMT 29 Oct 80 SK]

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GEOLOGICAL, STRUCTURAL FEATURES OF BOHAI OIL, GAS BASIN DISCUSSED

Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 1 Vol 1, Jan 80 pp 6-18

[Article by Li Desheng (2621 1795 3932) of the Research Academy of Petroleum Exploration and Exploitation Sciences: "The Geological and Tectonic Features of Bohai Oil/Gas-Bearing Basin"]

[Text] Following the discovery of Daqing Oilfield in Songliao Basin, another major oil/gas-bearing basin was found in the eastern part of China: the Bohai Bay Basin. It is about 200,000 square kilometers in area and includes the southern part of Liaoning, Beijing, Tianjin, the northern and western parts of Shandong, the northern part of Henan, and the Bohai waters.

I. Development of the Basin

The Bohai Bay Basin has undergone a fairly complex geological development which can be divided into four stages as follows:

1. The Late Proterozoic (Sinian Subera) Parageosynclinal Sedimentary Stage

Due to a long period of continuous ingression in the region (geological age is approximately 1900-800 million years before present), a thick pile of Late Proterozoic-Sinian Suberathem clastics (Changcheng System)--carbonatites (Jixian System)--clastics with carbonatites (Qingbaikou System) has deposited on the basement of Archaean and Lower Proterozoic metamorphic rock series after the Luliang Movement. Along the southern margin of the Inner-Mongolian Old Land, a NEE-trend depression known as the Yanshan Parageosyncline took shape in the southern flank of the Zhangjiakou-Beipiao Deep Fracture. The thickest sedimentary area is located in Hebei's Jixian Prefecture, and the gross thickness of the Sinian Suberathem sedimentary rock amounts to 9,421 meters. Here, the dolomite in the Gaoyuzhuang Formation of the Upper Changcheng System is 1,541 meters thick, and the dolomite in the Wumishan Formation of the Lower Jixian System measures 3,488 meters thick. They grew increasingly thinner and gradually pinched out towards the east, west and south of the sea basin. In Central Hebei Plain, the dolomite of Wumishan Formation drilled below the ground level of Renqiu Oilfield is 1,750 meters thick, while the dolomite of Gaoyuzhang Formation drilled below the ground surface of Liulu Region is 911 meters thick. Confined by the Neihuang Uplift in West Shandong and caught in the contracting sea basin, the two preceding dolomite reservoirs thinned out successively west of Zhangjiakou-Shijiazhuang, south of Xingtai-Dezhou and east of

Qinhuangdao-Jinzhou (Figure 1). The Sinian Suberathem strata has dolomites rich in bacteria and algae, as well as bituminous dolomite which behave like oleophilic rock series. Bountiful fluid oil seepage can be found in miarolitic cavities and fissures of dolomites within the Wumishan Formation and Tieling Formation of Jixian System in Pingquan-Shuangdong Anticline, Yanshan Region, Hebei Province. While bitumen and thickened oil are found in Xiamaling shales of the Qingbaikou System in Xiahuayuan, northwest of Beijing. Based on isotopic geological dating, the Gaoyuzhuang Formation and Wumishan Formation are marine deposits of 1,450-1,205 million years before present. The Sinian Suberathem strata still have excellent oil-bearing properties as the North China Platform has not experienced any intensive tectonism at all.

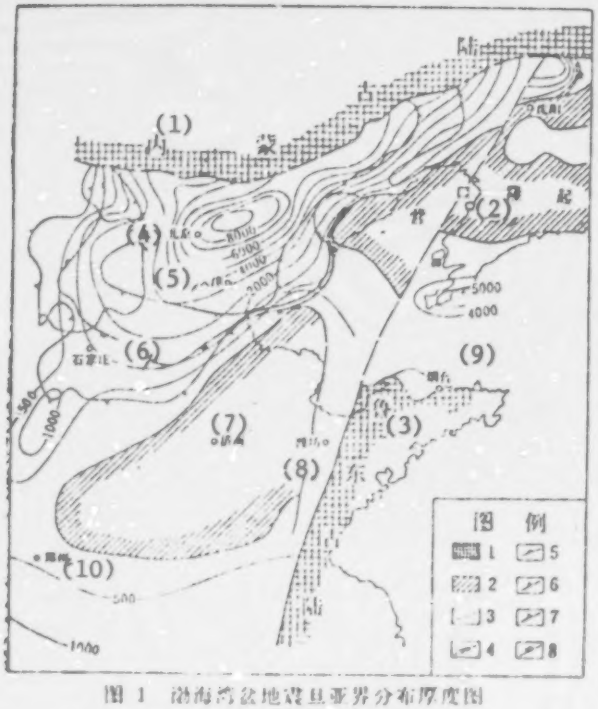


图 1 渤海湾盆地震旦亚界分布厚度图

（据陆石油工业部物探局研究院原图改编）

1—古陆；2—隆起；3—断层；4—等厚线(米)；5—大红峪组缺失线；6—铁岭组缺失线；7—高于庄组缺失线；8—雾迷山组缺失线

Figure 1 Isopach map of Sinian Suberathem in Bohai Bay Basin

Legend:

1. old land
2. uplift
3. fault
4. isopach (m)
5. thin-out line of Dahongyu Formation
6. thin-out line of Tieling Formation
7. thin-out line of Gaoyuzhuang Formation
8. thin-out line of Wumishan Formation

Places on the map:

(1) Nei Mongol (Inner Mongolian) Old Land
(2) Yingkou Uplift
(3) Ludong (East Shandong) Old Land
(4) Beijing
(5) Tianjin
(6) Shijiazhuang
(7) Jinan
(8) Weifang
(9) Yantai
(10) Zhengzhou

2. The Early Palaeozoic (Lower Cambrian-Middle Ordovician) Platform Sedimentary Stage

The North China Platform uplifted during the Jixian Movement and sank into the neritic zone in the Lower Cambrian Period. Transgression persisted for a comparatively long period of time (600-450 million years before present) until the end of the Middle Ordovician Period. But there were no Lower Palaeozoic deposits on the Inner Morgolian Old Land or the Ludong (Eastern Shandong) Old Land.

Lying in dieconformity with the Jingeryu Formation of the Qingbaikou System of Sinian Suberathem, the Lower Cambrian Fujunshan Formation consists of massive thick layers of microcrystalline dolomite, measuring 28-80 meters thick. The Lower Cambrian Mantou Formation is purple-red, mica-bearing shale interbedded with oolitic limestone and dolomitic limestone, and measure 120-300 meters thick. The Upper Cambrian Fengshan-Changshan-Gushan Formation is composed of 100-370 meters of grayish green wormkalk, dark gray argillaceous-laminated limestone and leopard limestone, with a small amount of grayish purple and dark gray shale in the lower part.

The Lower Ordovician Yeli Formation and Liangjiashan Formation are grayish brown limestone, wormkalk and dark gray dolomitic leopard limestone. The Middle Ordovician Majiagou Formation is brownish gray thick-bedded limestone with dolomitic limestone. As the entire North China Platform had uplifted and suffered from erosion by the end of the Middle Ordovician Period, the drill-through portions below the ground surface are nothing but relict thickness of eroded strata. In Central Hebei's Renqiu-Nanmazhuang Region, the Yeli Formation, Liangjiashan Formation, Lower Majiakou Formation and Upper Majiakou Formation are 120 meters, 159 meters, 242 meters thick respectively, totalling 745 meters in thickness. Southward to the Haizhong-Chengning-Dezhou-Zanhuang Uplifted Zone, the thickness of the Lower and Middle Ordovician is down to less than 500 meters. Along the southern slope of the uplifted zone, it becomes as thick as 800-900 meters. But further south to the Taikang-Shangqiu Uplifted Zone, the relict thickness is down again to less than 500 meters. (Figure 2)

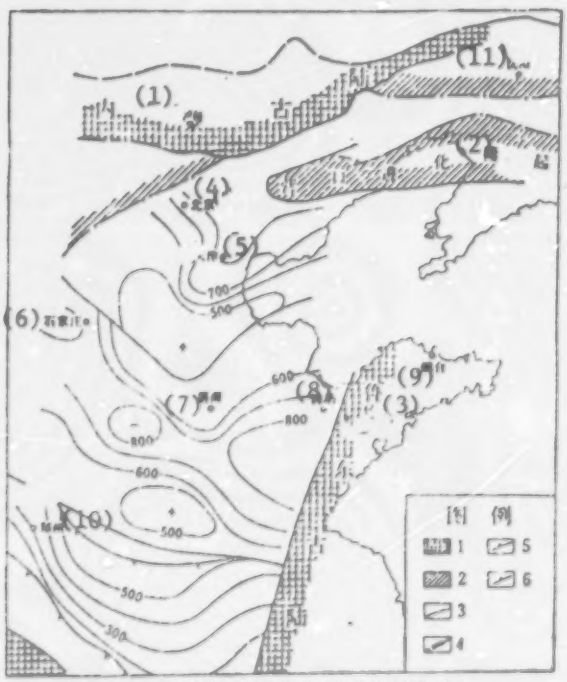


图 2 渤海湾盆地奥陶系分布厚度图

（根据石油工业部物探局研究院原图改编）

1—古陆；2—隆起；3—断层；4—等厚线(米)；5—下奥陶统缺失线；6—中奥陶统缺失线

Figure 2 Isopach map of Ordovician System in Bohai Bay Basin

Legend:
1. old land
2. uplift
3. fault
4. isopach (meters)
5. thin-out line of Lower Ordovician Series
6. thin-out line of Middle Ordovician Series

Places:
(1) Nei Mongol (Inner Mongolian) Old Land
(2) Yingkou Upwarp
(3) Ludong (Eastern Shandong) Old Land
(4) Beijing
(5) Tianjin
(6) Shijiazhuang
(7) Jinan
(8) Weifang
(9) Yantai
(10) Zhengzhou
(11) Shenyang

Superimposed upon the Sinian Suberathem Parageosyncline, the Lower Palaeozoic Ordo-Cambrian sedimentary basin is characterized by three depressions and two uplifts, i.e., the North Hebei Depression in the northern part, the Haizhong-Chengning-Dezhou-Zanhuang Submarine Uplift in the central northern part, the Zibo-Linqing Depression in the central part, the Songshan-Taikang-Shangqin Submarine Uplift in the central southern part, and the North Huaiho Depression in the southern part. Following the Middle Ordovician Period, the Caledonian Movement caused the entire North China Platform to ascend, thus giving rise to regression. As a consequence, the Upper Ordovician is missing throughout the whole region.

In Pingquan-Shuangdong of the Yanshan Mountain Region, exposures of oil seepage are widely found in the dolomites of the Lower Cambrian Fujushan Formation. There are deposits of liquid-state light oil inside the miarolitic cavities and along the calcite joint veins of Majiagou Limestone located in the quarries of Hebei's Tangshan Prefecture and Shandong's Jiaxiang Prefecture. Based on core analysis, it is proved that the Ordo-Cambrian Carbonatite strata are extensively oil-bearing.

3. The Sedimentation and Development Stage of the Late Palaeozoic (Middle Carboniferous-Permian) Platform's Coal-Bearing Formation

The North China Platform went through a weathering and erosion period which lasted approximately 130 million years from the end of the Middle Ordovician Period to the end of Lower Carboniferous Period. Thus, the immensely thick Ordovician limestone was gradually peneplanized by the long-term karst activity. By the Middle Carboniferous Period, the entire North China Platform had already subsided and accumulated sediments. But the sea floor was unstable and underwent bradyseismic movements which caused sudden transgressions and regressions, thus forming deposits of land-sea alternative facies.

Distributed along the southern piedmont of Inner Mongolian Old Land from Xinglong, Nanpiao to Western Beijing are Carboniferous deposits of piedmont facies with basal conglomerate which form a latitudinal narrow zone measuring more than 150 meters thick. Southwards, it is replaced by land-sea alternative facies of 100-200 meters thick, forming a hemipelagic sedimentary trough area. Shaped like a triangle around Bohai Bay, it is delimitated by Tonghua-Benxi in the north, Zaozhuang of Shandong Province in the south, and Jiaocheng-Wenshui of Shanxi Province in the west. Gradually increasing towards the south to as many as 10 layers in the Jining-Xuzhou-Huainan region, the marine limestone was predominated by transgressions. It is a neritic sedimentary basin, and the trough center had gradually shifted southwards.

The Shanxi Series of the Permian System is entirely continental facies and can be divided into four sedimentary trough areas: Tianjin Trough, which is over 600 meters thick; Handan Trough, some 500 meters thick; Xuchang Trough and Bangpu Trough, both over 700 meters thick (Figure 3).

Deep exploratory drilling has revealed a vast tract of coal-bearing rock series of the Permo-Carboniferous System concealed under the North China Plain at the depth of 1,500-3,000 meters, especially on the southern slope of Dongying-Linyi Monocline, the northern slope of Chenjiazhuang-Yihezhuang Rise, the western slope of Southwest Shandong Rise, the eastern slope of Neihuang Uplift, the northern slope of Chengning Uplift, the western slope of Cangxian Uplift, the northwestern slope of Niutouzhen Rise, and on the structural zones of Beidagang, Hexiwu, Wenliu-Weicheng, Tangyi,

Guantao, etc. In some areas, there are many thick layers of coal. Permo-Carboniferous coal series deposits are buried deep under the North China Plain, and could very well be natural gas source rocks.

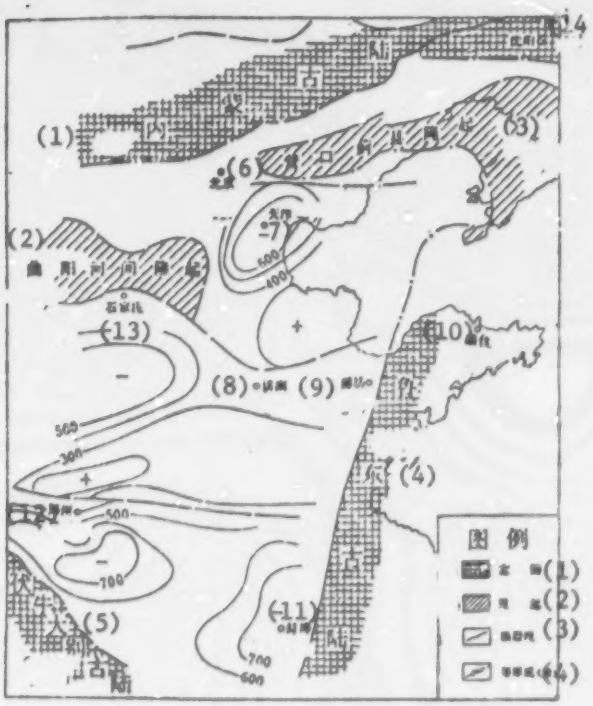


图 3 渤海湾盆地二迭系石盒子统分布厚度图
（根据石油工业部物探局研究院原图改编）

Figure 3 Isopach map of Permian Shihezi Series Distribution in Bohai Bay Basin

(Based on original chart prepared by Research Institute of Geophysical Exploration Bureau, Ministry of Petroleum Industry)

Legend:
(1) old land
(2) uplift
(3) fault line
(4) isopach line (meter)

Places on the map:
(1) Nei Mongol (Inner Mongolian) Old Land
(2) Quyang Hejian Uplift
(3) Yingkou Jixian Uplift
(4) Ludong (East Shandong) Old Land
(5) Funiu Dabie Old Land
(6) Beijing
(7) Tianjin
(8) Jinan
(9) Weifang
(10) Yantai
(11) Bengfu
(12) Zhengzhou
(13) Shijiazhuang
(14) Shenyang

4. The Mesozoic and Cenozoic Taphrogenic Downthrow and Subsidence Sedimentary Stage

Due to the Variscian Movement of the Late Permian Period, the North China Platform continued to uplift. Except for Pingshun, Fengfeng, Pingquan, etc. where Triassic land facies fragments had deposited sporadically, the whole area became a region of high and steep mountains. The Indosinian movement caused the entire sedimentary cover of the platform (from Sinian Suberathem to Triassic) to fold into a series of large-scale synclines and anticlines.

Mesozoic and Cenozoic profiles of Bohai Basin suggest frequent "downthrow-subsidence" occurrences during the sedimentary development stage.

During the Early Jurassic Mentougou formation downthrow period, more than 1,750 meters of sandstone, shale, conglomerate and coal interbeds deposited here with basalt on the bottom. In the Middle and Late Jurassic periods, 8,000-10,000 meters of pyroclastics, agglomerate, shale, sandstone, conglomerate and tuff with interbeds of oil-shale and coal deposited during the subsidence stage of the Jiulungshan, Diaojishan, Hocheng, Zhangjiakou, Jiufutang and Fuxin formations.

In the Early Cretaceous period, 1,200-5,400 meters of tuff, andesitic agglomerate, andesite, basalt, tuffaceous sandstone and conglomerate, and siltstone deposited on the Qingshan formation during its taphrogenic downthrow stage. In the Late Cretaceous Wangshi formation subsidence stage, deposits of sandstone, conglomerate and shale amounted to 2,000-4,360 meters.

Due to the inadequate number of wells and control points, it is impossible to plot an isopach map of the Mesozoic basins. At best, a configuration map has been produced, showing the distribution of the Mesozoic basins (Figure 4). The Mesozoic sedimentary basins run mainly towards the northeast, and are superimposed on Palaeozoic sedimentary basins which are mostly latitudinal.

图 4 渤海湾盆地中生界分布图
（据地矿部物探局研究院原图改编）

Figure 4 Isopach map of Mesozoic distribution in Bohai Basin (Based on original chart provided by the Research Institute of the Geophysical Exploration Bureau, Ministry of Petroleum Industry)

Legend:
(1) pinch-out zone
(2) deposition zone
(3) fault
(4) overlapping line
(5) isopach (m)
(6) line

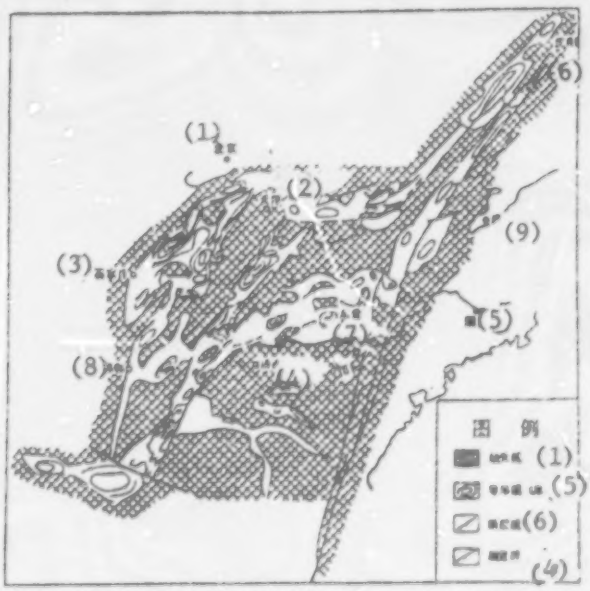


图 5 渤海湾盆地下第三系始新统（孔店组）分布厚度图

Figure 5 Isopach map of Lower Tertiary Eocene (Kongdian Formation) distribution in Bohai Basin.

Places on the maps:

(1) Beijing	(7) Dongying
(2) Tianjin	(8) Handan
(3) Shijiazhuang	(9) Luda
(4) Jinan	(10) Zhengzhou
(5) Yantai	(11) Lingqing
(6) Shenyang	

Fault zones in Figure 4:
(A) Beitang-Leting Fault Zone
(B) Cangzhou-Dongming Fault Zone
(C) Qihe-Guangrao Fault Zone
(D) Jialu Fault Zone
(E) Zhuwu-Jimo Basin
(F) Huanghe (Yellow River) Fault Zone

The Early Tertiary Kongdian-Shahejie-Dongying Formation Downthrow Period: 2,000-5,000 meters of sandstone, mudstone, oil-shale, bioclastic limestone and conglomerate deposits. The Kongdian Formation is 1,000-3,000 meters of continental clastics and Eocene in age. There is unconformity between the Kongdian Formation and the strata beneath it. The third member of Kongdian Formation is red mudstone and sandstone; its second member is grayish-black mudstone with sandstone interbeds, while the first member has red mudstone and sandstone in the lower part, and red mudstone intercalated with sandstone and conglomerate, gypsum, bluish gray mudstone, gray mudstone with oil-shale interbeds, bioclastic limestone and dolomite in the upper portion. By the end of Eocene, some of the relatively closed lake basins were reduced to brine lakes with evaporite deposits in them as a result of severe separation of the basins, poor supply of fresh water, and the dry climate. Marine interbeds might be found in some of the eastern depressions (Figure 5).

The Shahejie and Dongying formations are Oligocene deposits. The third member of the Lower Shahejie formation in the Bohai Basin is an important olefiant rock series. It mainly consists of dark gray and brownish gray mudstone, with interbeds of sandstone and conglomerate in the upper part, and widespread olefiant rock in the lower part which is regarded as a key stratum in this region. When the basin subsided in large amplitude, widespread ingressions occurred and eventually developed into littoral and lacustrine facies deposits. Due to a sedimentary break between the third member of Shahejie formation and the first member of Kongdian formation, there is a local unconformity in their contact. The second member of the middle Kongdian formation is a series of coarse-grain sandstone and pebble sandstone intercalated with red and green mudstone. A large part of the region emerged above water surface when the basin shrank and the water body became shallow. The ancient rivers Guliao He, Guluan He, Guyongding He, Ga Hutuo He and Gu Huang He poured immense quantities of mud and sand into the basin. It was a particularly well developed sedimentation period for the reservoirs of deltas, sand barriers and sand cones. There is another sedimentary break between the second and third members of the Shahejie formation. The first member of the Upper Shahejie formation is composed of argillaceous rocks of reducing facies with interbeds of oil-shale, dolomite, bioclastic limestone, clastic limestone and sandstone. The lower portion of the first member of the Shahejie formation is concentrated with widely distributed strata with unique and distinctive lithologic character as well as prominent electric properties. It is thus used as a lithologic key layer for the whole region of Bohai. During the deposition period, the basin experienced widespread ingression, and two sorts of sedimentary environment came into existence north and south of the division line running through Niutouzhen, Beidagang and Kenli. The vast expanse of water in the northern part was relatively deep and characterized by fairly strong potential and rich terrigenous clastic materials. Thus, large-scale sand bodies developed mainly in the northern and northwestern parts of the basin. The southern part of the basin was characterized by shallow water, closed lacustrine basin, weak potential, relatively fine clastic materials, and extensive growth of bioclastic limestone. In certain limb portions at the rise, the first member of the Shahejie formation overlapped with either the third member of the same formation or even older strata; but, in most circumstances, the first and second members of the Shahejie formation were formed through continuous deposition.

The Dongying formation is a series of intercalations of light gray to greenish gray sandstone and mudstone. The differences in sedimentary environment and lithologic character between the first member of Shahehie formation and Dongying formation

reflect the transformation from stability to nonstability. Carboneous shale is common in the sandstone member of the Lower Dongying formation. The middle part of the formation is a mudstone member rich in spiral fossils. The upper part of it consists mainly of sandstone. Ostracods are benthonic and generally have warty carina, indicating a slow retreat of water. A sedimentary break between the Dongying formation and Shahejie formation can be found along the rims of depression zones, but the internal portions of the depressions also reveal continuous sedimentation.

The Lower Tertiary deposits measure 3,000-5,000 meters thick in deep troughs, and 2,000-3,000 meters on the average. The mean thickness of olefiant rocks is 600-1,200 meters. Thus, there are ample oil source conditions (Figure 6).

图 6 渤海湾盆地下第三系渐新统（沙河街组和东营组）分布厚度图

Figure 6 Isopach map of Lower Tertiary Oligocene (Shahejie formation and Dongying formation) in Bohai Bay Basin

Legend:
(1) pinch-out zone
(2) isopach (m)
(3) fault line

Places on the map:
(1) Beijing
(2) Tianjin
(3) Gaoyang
(4) Shijiazhuang
(5) Cangzhou
(6) Lingqing
(7) Dongying
(8) Luda
(9) Yantai
(10) Weifang
(11) Jinan
(12) Xintai
(13) Kaifeng
(14) Zhengzhou

During the last known subsidence period of the Late Tertiary, Guantao-Minghuazhen and Quarternary Pingyuan formations, 800-3,500 meters of conglomerate, sandstone and mudstone were deposited. The Yanshan, Taihangshan, West Shandong and Jiao/Liao uplifted regions around the Bohai Bay Basin rose rapidly due to the Ximalaya Movement which occurred at the end of the Early Tertiary Period. Confined by the Tanlu Fracture Zone in the east, Shijiazhuang-Shouxian Fracture Zone in the west, Gu'an-Changli Fracture Zone in the north and Qihe-Guangrao Fracture Zone in the south, the interior of the basin was relatively subsided as a whole. Thus, the Bohai Bay Basin entered the last subsidence period. Throughout the entire region, widespread unconformity occurred between the Lower and Upper Tertiary system. Layers of quartz-bearing and chert-bearing sandstone and conglomerate are often found at the bottom of the Miocene Guantou formation of Upper Tertiary. The terrigenous detritus came from the Yanshan region in the north. Along the piedmont of Yanshan in Nanbao-Shejiutuo region, the drilled-through sandstone/conglomerate layer of the Gauntou formation is

1,000 meters thick in Huanghua-Dagang region. Furthermore, in Jiyang, Dongying and Renqiu, it is only 100-200 meters thick. The lower member of Minghuazhen formation of the Miocen age is brownish red and purplish red mudstone intercalated with light grayish green medium-fine grain silicarenite, and is generally 300-400 meters thick. The upper member of Minghuazhen formation of the Miocene-Pliocene age is grayish yellow and light brownish red mudstone with siltstone interbeds, and is 300-450 meters thick. It is composed of deposits of fluviatile facies and shallow lacustrial facies formulated under arid to semiarid climate conditions, and distributed throughout the whole region.

The Quarternary overburden has contributed towards the shaping of today's China Plain. It is gray and light yellow silty clay with light yellow sandstone, and is about 300 meters thick. The sedimentary break between Quarternary and the underlaid Upper Tertiary is not clear. The thickness of Late Tertiary and Quarternary deposits was controlled by the inherited activities along the fracture zones.

From the Late Proterozoic era to the present, the oil and gas basin of Bohai Bay has developed through the preceding four stages, causing polycyclic development of sedimentary formation, and the growth of secondary rhythms. As the sedimentary center shifted laterally in each period, it is possible to find overlapping of different facies and multiple series of olefiant, reservoir and overlying assemblages in the same area. These are basic geological conditions which enable the formation of large-scale oil and gas fields.

II. Fracture Zone and Olefiant Trough

Based on geophysical exploration and drilling data obtained from Bohai Bay's oil and gas bearing basin over the last few years, there is little doubt that this region has block structure properties characterized by fracture movement. It is quite obvious that the whole basin has been dominated by tensile stress and active differential vertical movements since the Mesozoic/Cenozoic eras. Structural blocks were further dismembered in NNE and NWW directions, while fracture zones between the blocks underwent continuous expansion and subsidence, and were filled up with thick piles of Ceno-Mesozoic hemipelagic and lacustrine sedimentary formations. Both the distribution of positive and negative structures in the oil and gas areas and the vertical/horizontal distribution of various types of oil and gas accumulation zones were controlled by the differential vertical block movement.

All the Tertiary oil and gas basins around the Bohai Bay are tension downthrow basins. The Lower Tertiary olefiant troughs are distributed along the following major fracture zones:

1. The Tanlu Fracture Zone in the central Shandong region consists of four NNE trend fractures which form the Central Horst (Gongdanshan Horst) flanked on both sides by the Luxian Graben and the Yiho Graben. A similar structural pattern is found towards the north, extending through the Bohai Bay area to Liaodong Bay and the Lower Liaohe Depression. In the Lower Liaohe Depression, there is a central uplift flanked on both sides by a western trough and an eastern trough. In the Liaodong Bay area, the Liaoxi Rise is the extension of the Central Uplift, while the Liaodong rise is an uplifted zone in the eastern trough. So, the Liaodong Bay is divided into three troughs which are located in the western, central and eastern portions.

2. The Cangzhou-Dongming fracture is another major NNE-trend fracture zone, along which are Beitang, Banqiao, Qikou, Qangdong, Nanpi, Wuqiao, Dezhou, Guanxian, Shenxian and Dongpu troughs.

3. There are two major fracture zones along the eastern piedmont of Taihang Mountain: The Shijiazhuang-Zhuoxian-Daxing Fracture Zone was developed in the early period and formed into the Shejiazhuang, Jinxian, Baoding, Yushui, Gu'an and Dachang troughs. The Handan-Shulu-Baxian Fracture Zone was developed slightly later and formed into the Julu, Shulu, Raoyang, Baxian and Wuqing troughs.

4. The Beijing and Lingshan troughs has resulted from the Nankou-Lingshan fracture activity.

5. The Qinnan, Nanbao and Bozhang troughs were formed when the NWW-trend Beitang-Leting Fracture Zone was further dismembered into the Laowangshuang-Matouying-Shejiutuo South Deep Fracture, Shejiutuo North Fracture and the Haizhong North Fracture.

6. The near latitudinal Qihe-Guangrao Fracture Zone was further dismembered into the Pingfangwang South Fracture, Chenjiazhuang-Binxian South Fracture, Yihezhuang South Fracture, Chengning South Fracture; and the Dongying, Linnan, Shanhua, Chezhen, Yangjiakou, Chengbei and Chengnan Depressions were developed along these fractures.

7. In the West Shandong Uplift and Southwest Shandong Region, the development of the Feicheng, Dawenkou, Laifu, Xintai, Menguin, Sishui, Wenshang, Jinxiang and Wucheng Troughs was brought about by the activities of the Feicheng, Tai'an-Tongyedian, Yangliudian-Xintai, Mengshan, Wenshan-Linyi, Peixian and Chengwu Fractures.

8. The Kaifeng and Jiyuan troughs were formed as a result of the activities in the Yellow River Fracture Zone which runs in the NWW direction (Figure 7).

The fact that source rocks are distributed all over some of the Lower Tertiary olefiant troughs is closely related to the gentle normal faults around tensile-type basins. Numerous reflection seismic profiles plus massive drilling data indicate that a majority of the normal faults dip 30-50 degrees. Fault blocks of Paleozoic, Sinian Suberathem and Pre-Sinian Suberathem origin were pulled apart from each other along gentle tensile normal faults to form rifts with widths up to 2-15 kilometers and vertical throws amounting to as much as 1-[illegible] kilometers (Figure 8). The widths of the stretched basements are the very widths of olefiant troughs. The deepest part where the greatest throw occurred is the center of the lacustrine basin and the place with the thickest source rocks.

The continuous activities of tensile faults led to the continuous widening of the Tertiary basins. The sedimentary area of the Oligocene Shahejie Formation was wider than that of the Eocene Kongdian Formation while the sedimentary area of the Upper Tertiary was wider than that of the Lower Tertiary.

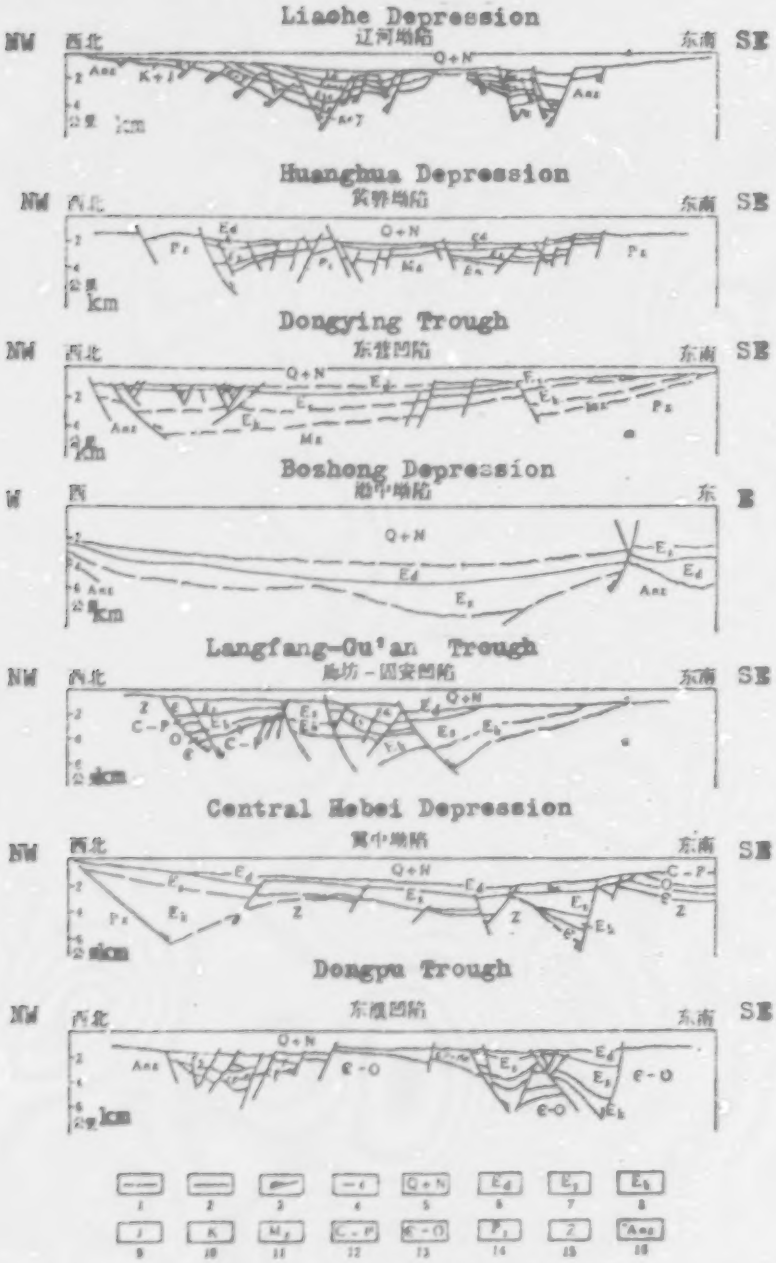
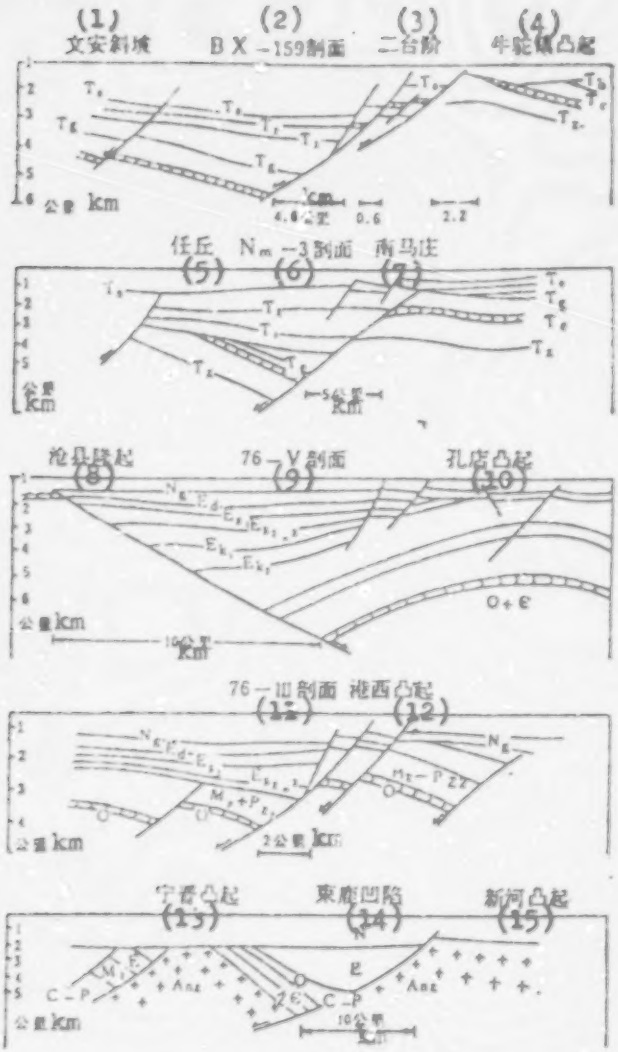


图 7 渤海湾第三系各主要断陷盆地构造剖面图

1—地层分界线；2—不整合线；3—断层；4—海拔；5—第四系十上第三系；6—东营组；7—沙河街组；8—孔店组；9—侏罗系；10—白垩系；11—中生界；12—石炭二迭系；13—寒武奥陶系；14—古生界；15—震旦亚界；16—前震旦亚界

Figure 7 Structural profiles of the main Tertiary downthrow/subsidence basins in the Bohai Bay area. (1) stratigraphic boundary, (2) unconformity line, (3) fault, (4) altitude, (5) Quarternary + Upper Tertiary, (6) Dongying Fromation, (7) Shahejie Formation, (8) Kongdian Formation, (9) Jurassic, (10) Cretaceous, (11) Mesozoic, (12) Permo-Carboniferous, (13) Ordo-Cambrian, (14) Palaeozoic, (15) Sinian Suberathem, (16) Pre-Sinian Suberathem



(1) Wen'an Slope
(2) BX-159 Profile
(3) 2nd step
(4) Niutuozhen Rise

(5) Renqiu
(6) Nm-3 Profile
(7) Nanmazhuang

(8) Cangxian Uplift
(9) 76-V Profile
(10) Kongdian Rise

(11) 76-III Profile
(12) Gangxi Rise

(13) Ningjin Rise
(14) Shulu Trough
(15) Xinhe Rise

1 2 3 4 5 6 7
8 9 10 11 12 13 14

图 8 渤海湾盆地地震反射剖面所示的张性断裂与基岩拉开的水平距离图

1—地震反射标准层及编号；2—下古生界内地震标准层；3—断层；4—馆陶组；5—东营组；6—沙河街组一段；7—沙河街组二、三段；8—孔店组二段；9—中生界；10—石炭二迭系；11—奥陶系；12—寒武系；13—震旦亚界；14—前震旦亚界

Figure 8 Seismic reflection profiles of Bohai Bay Basin showing tensile faults and horizontal distances between blocks of basements which had been pulled apart from each other.

Legend:
1. key strata of seismic reflection and numbers assigned to each stratum; 2. key strata of seismic reflection and assigned number; 3. fault; 4. Guantiao Formation; 5. Dongying Formation; 6. first member of Shahejie Formation; 7. second and third members of Shahejie Formation; 8. second member of Kongdian Formation; 9. Mesozoic; 10. Permo-Carboniferous; 11. Ordovician; 12. Cambrian; 13. Sinian Suberathem; 14 Pre-Sinian Suberathem

The polycyclicity of the Tertiary olefiant/reservoir/cover assemblages had developed from the intermittent activities of the tensile faults. During the acute stage of differential blocking movement, the relief between terrigenous detritus region and the lacustrine basin became greater; moreover, due to the abundant clastic sources and short migration distances, large areas of deposits of marginal facies or sand bodies of delta facies were readily formed. Bioclastic limestone, however, might have accumulated on some of the terraces or submarine uplifts of carbonatite basement when the tensile faulting was relatively weak and fine-grained deposits like mudstone, oil-shale, etc. were predominant in lacustrine basins. Gypsiferous and salt deposits were quite common in closed lakes and bays.

The intermittent activities of tensile faulting were also the main factor behind the unconformity or sedimentary break within the Tertiary strata. The unconformity at the bottom of the Tertiary strata enabled the Lower Tertiary source rocks to contact directly with the underlaid Mesozoic, Palaeozoic, Sinian Suberathem and Pre-Sinian Suberathem reservoir beds, thus enabling the formation of traps below the unconformity plane. The uplifting of blocks surrounding the troughs was also attributed to the blocking movement. As erosions along fault planes cut down into the Palaeozoic and Sinian Suberathem sections, and enabled Lower Tertiary source rocks to come into contact with Palaeozoic and Sinian Suberathem reservoir beds through the fault planes, burried-hill oil reservoirs might have formed if there had been suitable overlying formation conditions. The occurrence and development of the large-scale tensile fault system in Bohai Bay's oil/gas-bearing basin were related to the upswelling of the lithosphere in the area. With the upswelling of the lithosphere, the Mohorovicic discontinuity also rose. Figure 9 is a profile of the Bohai Bay Basin based on the combined interpretation of geologic, crust seismic sounding and gravity data. The anomaly zone of Δg corresponds to the uplifted zone at the top of the upper mantle. The extent of the Moho upswelling reached 300 kilometers in diameter and 8 kilometers in height. A Central Bohai gravity high is located in the deepest part of the Tertiary depression of the Bohai area. It is a negative tectonic element with Tertiary deposits up to 7 kilometers thick as indicated by reflection-seismic data. The appearance of a great round-shape gravity high anomaly zone in the same location could very well be brought about by the gravitational effect of a "mantle plume" formed by the upswelling of the Mohorovicic discontinuity. The great upswelling caused a tremendous amount of tension to occur within the upper part of the crust. Consequently, a series of dustpan-like troughs or graben-type troughs developed around the "Bohai Mantle Plume". In the Jiyang Depression, all the dustpan-like troughs are characterized by faulting in the north and overlapping of strata in the south. In the Huanghua Depression and the Central-Hebei Depression, all the dustpan-like troughs are characterized by faulting in the west and overlapping of strata in the east.

In the fault portion of each dustpan-like trough, the oil/gas reservoir beds are younger, the oil-bearing sections are longer, and more types of oil traps are found. The oil/gas reservoir beds on the slopes are older, and have shorter oil-bearing sections with relatively simple traps.

During the downthrow period, varying scales of extrusions, especially basalt, erupted along the main fracture zones of Bohai Bay Basin. According to radioactivity tests, the substance in the uppermost part of the mantle may be a mixture of eclogite and other sorts of ultrabasic rocks which can produce basalt magmas when melted or partially melted.

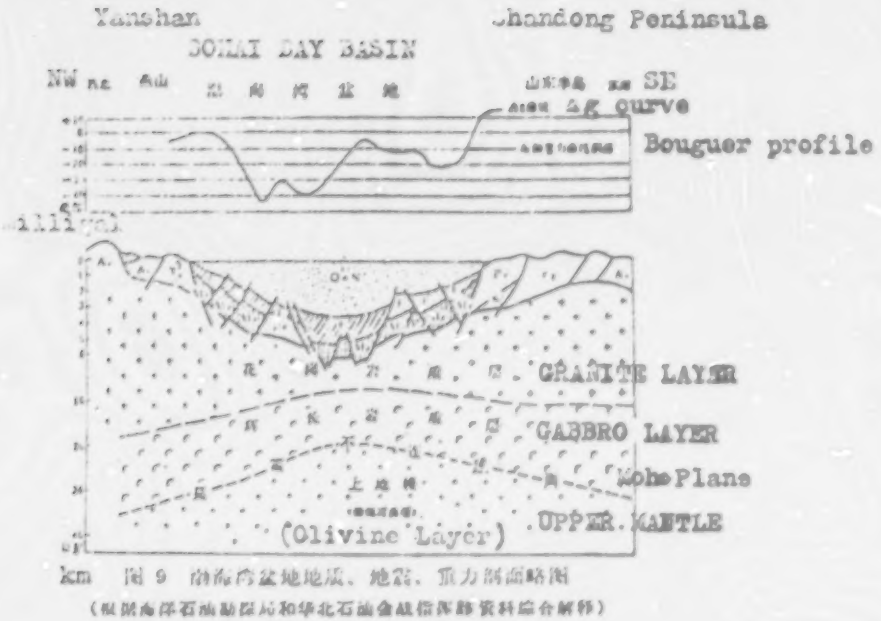


Figure 9 Sketch profile of Bohai Bay Basin showing geologic, seismic and gravity data

(Combined interpretation based on data provided by Bureau of Marine Petroleum Exploration and North China Petroleum Campaign Headquarters)

The faulting and volcanic eruption led to thermal loss in the uppermost part of the mantle plume, and the diffused heat was gradually absorbed by the overlaying lithosphere. Thus, the Bohai Bay Basin also became a high geothermal gradient anomaly zone (geothermal increase of 3-4 degrees per 100 meters depth). It was conducive to the maturation of petroleum, and thus enabled the source rocks to produce hydrocarbons with greater efficiency. As the heat energy escaped, the mantle plume underwent gradual transformations which led to the gradual sinking of the Mohorovicic discontinuity plane. After the Miocene epoch, a huge basin-type depression began to take form.

The polycyclic downthrow/subsidence process of the Bohai Bay Basin since the Ceno-Mesozoic eras indicates that the corresponding upper mantle material movement under the basin is still going on, and the lithospheric uplift is still in existence. The mantle plume on the Mohoplane is still undergoing the repeated and intermittent process of formation and wearing down, expansion and contraction. The alternating activity of downthrow and subsidence in the course of tectonic development has helped to create excellent structural conditions for the formation of multiple-layer olefiant rock series.

III. The Trap Conditions of Oil/Gas Reservoir

The Bohai Bay Basin is a multiple, superimposed sedimentary basin. Multiple olefiant/reservoir/cover assemblages are widely found in Cenozoic, Mesozoic, Palaeozoic and Sinian Suberathem strata. They bear the characteristics of oil/gas bearing basins with polycycles, multi-layer series, and many types of oil/gas pool traps.

More than 50 secondary troughs of the Lower Tertiary system are formed along the major fracture zones. These troughs were sometimes connected with the open sea, and sometimes they were blocked altogether. Some of them were open, and some were closed. Thus, each trough could become an independent oil/gas enrichment element with its own olefiant system.

In dustpan-like troughs (majority), the Tertiary sediments are 3-10 km thick in the fault portions. The downthrow walls of syngenetic faults developed a series of reverse drag structures (rotation anticlines). Wherever syngenetic faults developed on basement faults, fault-step type buried-hill traps occurred below the unconformity plane of Tertiary bottoms, and the number of steps ranged from one to as many as two or three. The thickness of Tertiary deposition on the slope side of dustpan-like troughs was reduced to 1-3 km. Overlapping, pinch out and erosion occurred in every layer. Large scale stratigraphic lithologic traps were probably formed as well. Due to the relatively small amplitude of syngenetic faulting in the sloped portions, only faulted-nose structures of the Tertiary system on the slope side could form. A reverse-direction normal fault in the basement could lead to the formation of one or several rows of buried-hill traps distributed along the strike with moderate uplifts.

Sometimes, a kind of compound texture appears in dustpan-like troughs, i.e., the occurrence of faulting in the deeper part of a trough can lead to the formation of a series of low buried-hill areas in the center, which often gives rise to the formation of excellent traps. Under certain circumstances, the arching of plastic strata (gypsum-salt or soft mud) could cause central anticline zones to form in the deepest parts of dustpan-like troughs and thus develop into relatively enriched deposits of oil and gas.

In graben troughs (minority), reverse drag structural zones and fault-step zones may have developed on both sides of the fault. Buried-hill anticline and central anticline zones could also occur in the central portions of graben troughs when the latter reached a certain width.

Since the Yanshan Movement, the erosions caused by numerous differential elevation/-subsidence block movements have prevented the Jurassic/Cretaceous "downthrow/subsidence basins" from being well preserved. Only the Cenozoic "downthrow/subsidence basins" of Bohai Bay have been relatively well preserved. Thus, the exploration of oil/gas fields has been carried out step by step from the shallow depths to the deep reaches, tackling the easy ones first and leaving the difficult ones last. At present, there are altogether 18 horizons in oil/gas bearing rock series which produce oil/gas flows. Among them, 9 horizons are distributed within the Tertiary system. The oil/gas pools in the Lower Tertiary system are mainly primary, while those in the Upper Tertiary system are basically secondary. In addition, there are 9 other horizons in the Mesozoic, Palaeozoic and Sinian Suberathem strata located beneath the unconformity plane of the Tertiary bottom. The ancient buried-hill

oil/gas pools are the combined products of the Tertiary oil sources and the reservoirs of old strata which had been exposed to long weathering and erosion (most are carbonate reservoirs, but a few of them are clastics, volcanics or metamorphics).

At present, there are five relatively enriched portions in the oil/gas reservoirs: (1) horizons near the unconformity between Lower and Upper Tertiary; (2) horizons near the unconformity between the Tertiary bottom and underlying old strata; (3) horizons near the sedimentary break between the bottom of Tertiary Dongying Formation and the first member of Shahejie Formation; (4) horizons near the sedimentary break between the second and third members of the Lower Tertiary Shahejie Formation; (5) horizons near the sedimentary break between the bottom of the third member of the Lower Tertiary Shahejie Formation and the top of the first member of Kongdian Formation.

The currently known oil/gas pool traps are divided into four categories and eight types.

The first category: Structural traps of oil/gas pools (Figure 10).

1. Dome type traps: Located in the axial part of second-grade structural zones. The oil/gas pools are thick at the structural tops, thin along the borders, and have integrated oil-water interfaces.

2. Reverse drag type traps: Located on the downthrow walls of major fractures in troughs or second-grade structural zones. Traps were formed under the influence of gravitational collapse force and torsion during the downthrow stage of syngenetic faults. The traps often lined up along major fractures, and were controlled by structural heights. Heights in the deep portions of the structure migrated successively towards the dipped end of the fault. Oil pools at different vertical levels have their own independent oil-water interfaces.

3. Fault block type traps: Due to a series of faults, the structure became complicated. The pools are distributed along both sides of the faults, and tend to grow increasingly thicker as they approach nearer to the faults. The oil-water interfaces are comparatively complicated. Between the various fault blocks, there are differences in oil-bearing horizons, reservoir thickness, oil-water interfaces, and even the properties of crude oil.

The second category: Compound trap oil/gas pools (controlled simultaneously by structural and stratigraphic factors).

4. Overlapping unconformity type traps: The sedimentary break inside the Tertiary system resulted in the erosion of the lower strata as well as the overlapping of the upper strata against the tectonic background. The oil pools are distributed above and below the unconformity plane. In the axial part of the structure, the oil reservoirs are thinner and have few layers. In the lower portion of the structure as well as the lower blocks, the oil reservoirs become thicker and have more layer-

5. Upward inclined pinch-out traps: Distributed on the tilted portions of the structural aprons. The reservoir strata tend to pinch out towards the upward inclined portions of the structure, and become extensively developed towards the lower portions of the structure. They have integrated oil-water interfaces.

Figure 10 Types of oil/gas traps in Bohai Bay Basin

Structural Traps	Compound Traps	Stratigraphic Traps	Oil Buried-Hill Traps
(1) dome type	(1) overlapping unconformity type	(1) unicline type	(1) fissured/cavernous block type
(2) reverse drag type	(2) upward inclined pinch-out type	(2) lithologic type	
(3) fault block type			

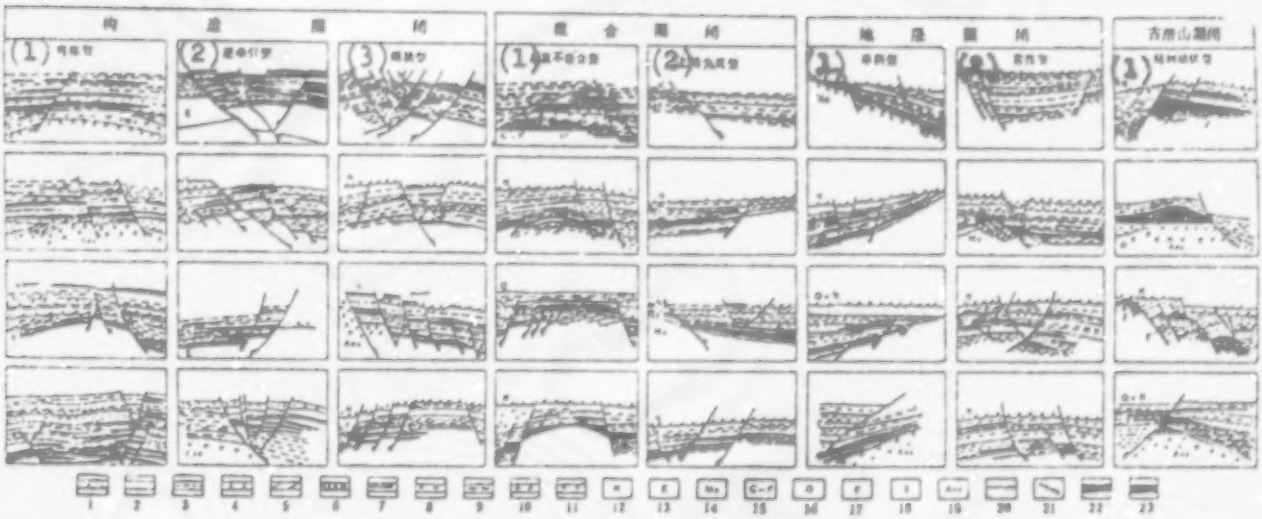


图 10 渤海湾盆地油气圈闭类型图

1—砂砾岩；2—砂岩；3—泥岩；4—石灰岩；5—白云岩；6—生物灰岩；7—油页岩；8—玄武岩；9—凝灰岩；10—角砾岩；11—花岗岩；12—上第三系；13—下第三系；14—中生界；15—石炭-二迭系；16—奥陶系；17—寒武系；18—震旦亚界；19—前震旦亚界；20—不整合；21—断层；22—油气层(孔隙型)；23—油气层(裂缝溶洞型)

Captions below:

1. arenaceous conglomerate
2. sandstone
3. mudstone
4. limestone
5. dolomite
6. bioclastic limestone
7. oil shale
8. basalt
9. tuff
10. breccia
11. granite
12. Upper Tertiary
13. Lower Tertiary
14. Mesozoic
15. Permo-Carboniferous
16. Ordovician
17. Cambrian
18. Sinian Suberathem
19. Pre-Sinian Suberathem
20. unconformity
21. fault
22. oil/gas layer (void type)
23. oil/gas layer (fissure/solution-cave type)

The third category: Stratigraphic trap oil/gas pools.

6. Unicline type traps: Distributed on the slope portions of troughs. The upward inclined portions of reservoir beds underwent erosion. The oil pools were closed by bitumen or thick oil, and formed unconformity contacts with overlapping strata. In the downward declining portions of unicline structures, the reservoirs become thicker and contain better oil.

7. Lithologic type traps. Not so important at present; but with the improvement of prospecting work, a substantial increase both in quantity and variety of such oil/gas pools is expected. Among the currently known types are: river bed fill-up traps, sand barrier traps, and cut-and-build sand body traps.

The fourth category: Ancient buried-hill trap pools.

8. Buried-hill traps: Occurrence in layers beneath the unconformity plane at the Tertiary bottom. There are Mesozoic agglomerate and volcanic lava type oil pools, Lower Palaeozoic Ordo-Cambrian limestone and dolomite type oil pools, Sinian Suberathem siliceous dolomite type oil pools, as well as Pre-Sinian crystalline basement type oil pools. The reservoir conditions consist of fissures and karst caves. Holes, caves and fissures in the Sinian Suberathem dolomite are the most well developed and often comprise high-producing conditions. At present, all the ancient buried-hill traps which have been found so far are block-shape oil/gas pools. Every oil/gas pool has its own individual oil-water interface.

The various types of traps often follow a certain coordinative distribution pattern. From more than ten years of practical experience, and based on the type of troughs, the character of second-grade structures, the nature of reservoirs, and the source and direction of sediments, as well as the route of oil/gas migration and the type of local structures, it is possible to proceed from the known and probe into the unknown, and thus discover all sorts of new traps in various parts of different troughs and tectonic zones, as well as various kinds of series of strata. Therefore, Bohai Bay's oil/gas-bearing basin primarily consists of compound oil/gas pools with traps patterns of various sorts of oil/gas pool series.

IV. Concluding Remarks

The Bohai Bay Basin is a typical multiple layer oil/gas-bearing basin in the eastern part of China. Developed under crustal tensile stress during the Ceno-Mesozoic periods, it is also a typical structural system with multiple rises and troughs which cover a vast area with gentle land relief and shallow sea waters, thick sedimentary rocks, and rich oil resources. Moreover, it has many types of traps, well-covered overlying formations and multiple oil/gas series of strata. The Tertiary clastic reservoir layers are of medium high permeability grade while the fissures and holes of Tertiary, Palaeozoic and Sinian Suberathem carbonatite are characterized by high permeability. The crude oil is of relatively high quality; the pressure coefficient and geothermal gradient are both relatively high; the Tertiary strata are soft and characterized by fairly good drillability, which are all favorable conditions. But as the entire oil province underwent relatively frequent tectonism during the Ceno-Mesozoic periods, there are numerous faults and sedimentary breaks in addition to comparatively great lithologic changes and rather complicated relationship between oil, gas and water, which have all added to our difficulty in exploration and exploitation work.

In the Bohai Bay oil/gas basin, a series of large-scale Tertiary oil/gas fields have already been exploited, e.g. Shengtuo Oilfield, Dagang Oilfield, and Gudao Oilfield. Besides, many ancient buried-hill high-yield oilfields, such as Renqiu Oilfield, etc. have also been developed. But there is uneven progress in oil exploration work: On land, while some depressions have been thoroughly explored, others have not. In the sea area, none of the subsea depressions have been thoroughly explored at all. Some of the oil/gas horizons are relatively well known, whereas others are still totally unknown. Thus, in order to maintain the continuous growth of oil reserves and yields in the oil zones, the expansion and in-depth exploration of old oil zones as well as the preliminary and detailed surveys of new troughs will all continue to develop in scale, depth and degree of difficulty.

It is possible to find various types of Tertiary oil/gas pools near deep troughs or all kinds of large-scale traps structures within lithologic transition zones, especially in the structural traps related either to syngenetic faults or plastic rock formations (salt, gypsum, soft mudstone, etc.) flows in deep reaches. Comparatively large-scale Upper Tertiary oil/gas pools are expected to be found in new troughs where the Upper Tertiary sediments are particularly thick. Large stratigraphic lithologic oil pools may also be found on large slope belts where the layers are frequently subjected to top erosion, bottom overlapping and pinching out.

It is a universal law in oil/gas migration and accumulation for the oil to be stored up in upwarped areas and become available for recovery in depressed areas. It has already been proved through surveys that low-rising buried hills are the most enriched portions of oil pool series in troughs. In high rising structural zones, except for secondary Upper Tertiary oil/gas pools, there are various types of Tertiary oil/gas pools and ancient buried-hill oil/gas pools on either the fault edges or slope sides of aprons around the rises. The oil pools in Tertiary basal conglomerate of slope wash facies (composed of limestone gravels), in particular, are exceptionally high producing. New types of traps should be searched for on rises and their aprons by looking further into the level of rises, the extent of Lower Tertiary erosion, as well as the amplitude and preserved conditions of traps.

In this large sedimentary basin, there are new areas which merits further exploration. New oil-bearing rock series of the Mesozoic era could exist in sedimentary troughs which had been formed during the Cretaceous down throw/subsidence period and the Jurassic downthrow/subsidence period. Beneath the Ceno-Mesozoic structural strata, it is possible that the gas from the Permo-Carboniferous coal-bearing series has migrated upward into the upper reservoirs and formed a natural gas reservoir mainly composed of dry gas. It is also possible that primary oil/gas reservoirs can also be found in Palaeozoic and Sinian Suberathem formations under proper tectonic and cover conditions.

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HEILONGJIANG COTTON YARN PRODUCTION--According to recent statistics, the per unit cotton yarn yield [zhe he mian sha dan chan] at cotton mills throughout Heilongjiang Province was 37.13 kgs. [SK310655 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 30 Oct 80 SK]

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China Report

ECONOMIC AFFAIRS

No. 98

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HK311400 Beijing JINGJI YANJIU in Chinese No 9, 20 Sep 80 pp 23-27

[Article by Xing Junfang (6717 0193 5364): "Discussions in Economic Circles in the Past Year on the Subject Matter of Political Economics"]

[Text] The discussions in economic circles over the past year on the subject of political economics developed on the basis of a thorough review of the good and bad experiences in our country's socialist construction and making a penetrating study of the underlying principles of socialist political economics. The curtain raiser on these discussions was the publication of an article in JINGJI YANJIU No 8, 1979, by Sun Yefang entitled "On Production Relations as the Subject Matter of Political Economics," The article presented views contrary to the thesis in Stalin's book, "Problems of Soviet Socialist Economy," which contended that the subject matter of political economics was in substance production relations. In addition to some 15 articles carried in JINGJI YANJIU, many publications in the country also published articles on the same theme and discussion on the topic was lively.

Discussion centered mainly on two aspects. One was, from the angle of economic scientific classification, what ultimately is the subject matter of political economic study? The other made an assessment of Stalin's definition of production relations.

Divergent Views on the Subject Matter of Political Economics

Over the past year, discussion in economic circles on this matter has brought forth three [as printed] principal different points of view:

One view was that the subject matter of political economic study was production relations associated with the definite stages of development of productive power. The comrades holding this view differed with one another on the question of how the study of political economics was linked to productive power. Some were of the opinion that productive power should also be put within the realm of political economic study. (Sun Yefang in preface to Ping Xin's "Collection of Essays on Productive Power," RENMIN RIBAO, 10 January 1980) Other comrades were of the opinion that there should be another branch of economic study to be known as "productive power economics." (Yu Guangyuan: "Probings Into the Socialist Portion of Political Economics," People's Publishing House, 1979 edition, pp 150-153)

Some people held the second view that studies in political economics concerned specially fixed production forms and their relevant production relations in the various stages of historical development. (Ma Jiaju and Lin Zirong: "Production Forms and the Subject Matter of Study in Political Economics," JINGJI YANJIU No 5, 1980) Comrades holding this view contended that in mentioning production form, Marx did not mean the unification of production power and production relations but referred to a separate category between the two, linking them together. It embodied two meanings. One referred to the labor form, meaning the form in which the laborers joined together in labor and the form of their utilization of the labor materials. The other referred to the social pattern of production, that is to say, the social economic formation or social economic structure. Production relations were revealed in the social pattern of production. Any social pattern adopted by production bred a corresponding form of production relations. According to Marx's thesis, production power determined the production form while production relations were relevant to the production form.

Some comrades offered the third view that political economics should place the study of productive power in the first place. This was the viewpoint of Xiong Yingwu. He believed that to limit the subject matter of the study of political economics to production relations was to ignore this basic factor of productive power and that to restrict the discussion to production relations would drive the study of economics into a blind alley. Accordingly, he suggested that we should probe deeper into the strata of the social economic structure to discover the laws governing the self-development of productive power and to create a form of theoretical economics to unify the study of productive power and production relations and replace the old and inadequate terminology of political economics. The task of theoretical economics was to reveal in the main how the social reproduction movement responded to the laws governing it. This meant that first it must reveal the laws governing the self-development of productive power and on this basis reveal the laws governing the relations between production relations and productive power. (Xiong Yingwu: "Economic Science Should Place the Study of Productive Power in the First Place," JINGJI KEXUE [ECONOMIC SCIENCE] No 2, 1980)

Fourth, Comrade Zhang Wentian propounded the theory of the dual nature of production relations. (Zhang Wentian: "On the Question of the Dual Nature of Production Relations," JINGJI YANJIU No 10, 1979; this notation applies to all subsequent quotes from Zhang) He offered the view that productive power and production relations were mutually coexistent, that where there was one there was the other, and that the two were organically joined together and were indivisible. The contradictions between productive power and production relations did not exist outside production relations but within production relations. He termed the production relations directly demonstrated in productive power as "production relations in general (or general production relations)." Production relations in general can exist only in specific production relations. "This type of specific production relations consists of the ownership relations of definite production materials and products." "Production relations in general form the inner content whereas ownership relations constitute the form." He held that "the study of production relations in political economics should not be divorced from productive power and concentrate on production relations. On the contrary, in the study of production relations, it should concentrate on the study of the internal contradictions between productive power and production relations, namely, their contrary but unified relations."

Although the comrades holding the above four divergent views differed from each other in their ramifications and concrete proposals, they all agreed on giving a more important place to the problem of strengthening the study of productive power, on the development of productive power and how to make socialist production relations more mature and better. It is true that as early as the late 1950's and early 1960's, some comrades already showed an interest in strengthening the study on productive power when discussing such problems as the subject matter of political economics, or the subject matter of departmental economics, or economic effects or the distribution of productive power. Unfortunately, at the time the predominant viewpoints all neglected to give due emphasis to the decisive role of productive power in production relations. Although nobody openly refuted the need to study production relations in connection with productive power, nonetheless in the study of political economics insufficient attention was given to the problem of productive power. In actual practice, it frequently happened that in discussing production relations and their reform the level of productive power was entirely neglected and that even under conditions where there was a low level of productive power, one-sided efforts were made to seek "big" and "public" production relations. Both in theory and in practice this created extremely serious effects. At present, the general feeling is that political economics can no longer overlook the study of productive power. This is indeed a clear step forward. It reflects on the one hand an after thought on past experiences and lessons and, on the other, the objective requirements of modernization and construction of a new period. In this connection, it may be added that although certain suggestions (such as the subject matter of political economics is the social production form) have already been brought up before, they are now imbued with new contents and are not mere repetitions of past notions.

Discussions on Stalin's Definition of Production Relations

Since the publication of the book "Problems of Soviet Socialist Economy," Stalin's definition of production relations has been given an important place in economic theories. It represents an authoritative exposition of the meaning of production relations. At present, the problems under discussion are:

(1) Concerning the Problem of the Pattern of the Ownership System of Production Materials.

According to Stalin's definition of production relations, the ownership system of production materials constitutes the principal content of the subject matter for the study of political economics. This definition is subject to the following two points of contention:

1. Divergent understanding as to what is inherent in the three sectors, namely. the ownership system of production materials, ownership system and production relations.

According to one viewpoint, the ownership system of production materials is in effect the ownership system itself while the ownership system equates to production relations.

Sun Yefang said: "The entire contents of production relations (including production, exchange and distribution) are the economic contents of the form of the ownership

system or of the property form" (Sun Yefang: "Production Relations as the Subject Matter of Political Economics," JINGJI YANJIU No 8, 1979. Subsequent references to Sun's article will not be separately notated.) He quoted a passage from Marx's treatise, "The Poverty of Philosophy" to explain his point. ("Selected Works of Marx and Engels", "The Poverty of Philosophy," vol I, p 144) He further held that if like Stalin, outside such other relations as production, exchange and distribution, we were to single the ownership system out and line it up with the others as independent subjects of study in political economics, then we would be guilty of the same thing Marx criticized Proudhon of; engaging in the fantasies of metaphysics or the science of law.

Lin Zili pointed out: "Marx was using the concept of the ownership system as a synonym for that of production relations. "Production relations include production, circulation and distribution. In other words, the sum total of production, circulation and distribution constitutes the ownership system. The pattern of production, that of exchange and that of distribution form the actual pattern of the ownership system. Political economics can disclose the nature of the relations of the ownership system only through the process of an analyzing a series of economic sectors and observing the actual patterns of these systems of ownership." For this reason, "when denoting the innate nature of the relations of the ownership system, political economics cannot start from the question of the ownership of the production materials but instead must analyze the form linking material conditions to laborers and production." (Lin Zili: "Questions of the Various Methods of Research on Political Economics," HONGQI no 12, 1979; subsequent references to Lin's article will not be separately notated)

Zhou Shulian and Wu Jinglian pointed out that the study of the socialist ownership system is equivalent to "a study of the entire spectrum of socialist production relations. It should never be dissociated from socialist production relations." (Zhou Shulian and Wu Jinglian: "We Cannot Divorce the Socialist Ownership System from Socialist Production Relations," JINGJI YANJIU, no 12, 1979)

A second viewpoint holds that the ownership system is a simplified term for the ownership system of production materials. The ownership system of production materials is a constituent part of production relations. Zhu Jiannong said: We cannot treat the concept of the ownership system of production materials and as being synonomous with the concept of production relations. We can only consider the two as being closely related yet distinctly different concepts with different meanings. Among the four stages of the overall production process of society, not only in the direct production process, there exist relations of the ownership system of production materials. In the processes of exchange, distribution and consumption there also exist relations of the ownership system of the subject matter of exchange, of the products of labor and of the consumer goods respectively. All these relations have a decisive significance in the production relations of the respective sectors. Naturally, the relations of the production materials in the direct production process have a decisive significance ultimately over the relations of the ownership system of the other sectors of exchange, distribution and consumption. (Zhu Jiannong: "Certain Basic Theoretical Problems Concerning the Ownership System and Production Relations," JINGJI YANJIU no 1, 1980; subsequent references to Zhu's article will not be separately notated)

Certain comrades are of the opinion that the ownership system has broad meaning and narrow meanings. First, its broad meaning refers to the sum total of production relations. As for its narrow meaning, "not only is it an independent constituent part of the production relations but it also plays a decisive role with regard to other phases of production relations." Stalin's definition of the "ownership system of production materials conforms precisely with this narrow concept of the ownership system. These comrades also made an analysis of the decisive role that the narrow ownership system, namely, the ownership system of production materials, plays in other spheres of production relations, as follows: First, it determines the form of the union of labor power with the material factors of production and also determines the different positions and mutual relations among men in the direct production process. This in turn determines man's mutual relations in matters of exchange and distribution." Second, "it ultimately determines the objective of social production and also determines the relations of the material interests among the different individual constituents." Third, the ownership system of production materials is the leading link in any basic changes in production relations. Fundamentally speaking, the development of production relations is determined by their level and nature of the productive forces. However, within the sector of production relations, changes in the ownership system of production materials lead to a series of changes in the relations between production, exchange and distribution. (Wu Xuangong: "Exploratory Discussions on the Ownership System of Production Materials Being an Independent Constituent Portion and Basis of Production Relations," JIAOXUE YU YANJIU [TEACHING AND RESEARCH] no 2, 1980; Chen Xianyi: "On Ownership System and Production Relations," JINGJI YANJIU no 3, 1980)

A third viewpoint holds that "the ownership system of production materials plus the ownership system equals production relations." This is the viewpoint offered by Jiang Xuemo. He said: According to Marx's original idea, the area of the ownership system includes such things as production materials, productive power and the products of labor. The ownership system of production materials refers to the ownership of production materials only and is thus related to but one sector of the relations of the ownership system and not to all the relations of the ownership system. According to Marx, the sphere of the "ownership system" is not a simple combination of the three constituent portions but rather the organic union of these three constituent portions. A definite pattern of the ownership system or relations of the ownership system is the union in a definite form of the labor force and production materials together with the relevant pattern of distribution of the products. Since the form of union of the labor force with production materials is the basic hallmark of the social economic formation, that is to say, the production relations of the society, the relations of the ownership system are in effect the production relations. (Jiang Xuemo: "Also on the inner scope of production relations," Qunzhong Luncong [Collected Essays of the Masses] no 3, 1980; subsequent references to this article will not be separately notated)

2. Does the subject matter of political economics include the ownership system of production materials?

Sun Yefang's viewpoint was: "Property Relations (which can be interpreted either as relations of the ownership system or forms of ownership system) is merely the legal term for production relations. The study of political economics is not concerned with the legal form of production relations; nor is it concerned with its legal terminology.

In the opinion of Shang Dewen, the form of the ownership system of production materials refers to the method or pattern of people's ownership of property. Although it has a great effect on production relations, it does not merit study as a special subject within the field of political economics. For this reason, in the preface to his book "Critique of Political Economics," Marx placed "relations of legality" at the very end of the book, that is to say, outside the subject matter and methods of political economics, being a distant form of relations to be studied separately. (Shang Dewen: "Discussions on the Formation of Marxist Theory on the Subject Matter of Political Economics," JINGJI YANJIU, no 1, 1980)

Opposing the above views, certain comrades expressed the opinion that the form of the ownership system of production materials was not merely legal terminology. Basically, it formed an objective economic category, falling within the realm of production relations. (Ji Yuancheng, Xu Haikuo and Li Yunfu: "Certain Views Concerning Production Relations as the Subject Matter of Political Economics," XUESHU YUEKAN [ACADEMIC MONTHLY] no 12, 1979; references hereafter to this article will not be separately notated) They based their thesis mainly on a passage from Marx's book "On Proudhon" which said: "Political economics does not include the sum total of property relations as seen from their legal manifestations or as relations of intent. Instead, it includes their actual pattern as production relations." ("Selected Works of Marx and Engels, "On Proudhon," vol 2, p 142) Hence, they concluded that what the form of the ownership system of production materials indicated was the question of to whom the production materials belonged or by whom they were controlled. In this way, the form of the ownership system of production materials was but a generalization of the objectively existing economic relations.

Zhu Jiannong expressed the opinion that Stalin, in taking the relations of the ownership system as the subject matter of political economics, did not erroneously take what belonged to the category of law to be the subject matter for the study of political economics. As a matter of fact, the relations of the ownership system of production materials should not only be a subject of study in political economics but should also be a principal topic to be studied thoroughly and on a priority basis in connection with any kind of production relations.

The third viewpoint held that the legal manifestation of the system of ownership belonged to the category of law while the actual pattern of the ownership system belonged to the category of political economics. Lin Zili said: The ownership system has its legal expressions. Its legal term can be called production relations, because in the German language the term ownership system (relations) can also mean property (relations). The ownership system in political economics refers to the actual pattern of the ownership system, namely, the production relations. As for the legal expression of the ownership system, strictly speaking it should not be included in the category of political economics.

3. Actual significance of discussions on the question of the ownership system.

In the course of the discussions, the majority of the comrades were of the opinion that Stalin's theoretical standpoint of singling out production materials independently had a great effect on actual practice. But there were divergent and conflicting views as to what the actual effects were.

Certain comrades held that this theoretical standpoint had a negative or passive effect on actual practice. Sun Yefang was of the opinion that our party, observing the rule that production relations must be suited to the nature of the productive forces, had correctly formulated a general line for the transition period calling for the basic completion of the cooperative transformation of agriculture within a period of 18 years. However, subsequently under somewhat frenzied conditions, the task was completed in an extra fast and forced-march manner, in less than 2 years. Soon after this, advanced agricultural producers' cooperatives were amalgamated to form people's communes, while small communes were hastily combined together to form large communes. Some localities went so far as to form "county joint-cooperatives." This was completely against objective laws and wrought great havoc on the productive forces. He believed that one important reason for such serious consequences was neglect of the production relations which were determined by a specific amount of productive power, treating the "form of the ownership system" as a separate entity and continually making much fuss about the form of the ownership system. "Such isolation of the ownership system from production relations" "has caused much suffering to the Chinese people."

Opposing the above views, some comrades held that the viewpoint of isolating the ownership system had large and positive effects on the actual practice of socialist transformation. For example, Jiang Xuemo wrote: "To emphasize the ownership system of production materials as the basis of production relations makes people aware that in order to transform or stabilize certain production relations, first of all we must tightly grasp this link of the ownership system of production materials. This is not only extremely important to the efforts of the proletariat, following their seizure of power, in eliminating the old production relations of feudalism and capitalism and building up new socialist production relations, but also constitutes a problem worthy of extremely close attention even after the setting up of socialist production relations." Actual practice amply testifies: "When we handle the problem of the ownership system of production materials well, our socialist production relations stabilize. Contrarily, if we handle this problem badly, then our socialist production relations are shaken and the productive forces of society become deranged." At present, "there is a need not only to study the form of the ownership system by the whole people and that by collectives but also to gain an understanding of the special features of the two forms of socialist public ownership system from the standpoint of the ownership, possession, control and utilization of production materials. In this way, we can correctly formulate a program for the reform of the economic control structure over these two systems of public ownership." If we were to follow those comrades who were opposed to Stalin's "three aspects" viewpoint in the belief that the ownership system of production materials did not constitute one aspect of production relations and therefore should not be taken independently as the subject matter for research, then we would be basically hindering the study of this lesson. This would be detrimental to the implementation of the "8-character policy."

Similar views were held by Ji Yuancheng, Xu Haikuo and Li Yunfu.

In the course of the discussions, some comrades raised the question of the relations of the rights of ownership by the labor force. For example, Ma Shufang held the view that man's place in production and his reciprocal relations were determined not only by the relations of the ownership system of the means production but also by the relations of the right of ownership of the labor force. The basis of

socialist production relations was not only the system of public ownership of the means of production but also the two-fold possession right of the labor force. (Ma Shufang: "What Should Be the Constituents of Production Relations?" JINGJI YANJIU, no 12, 1979; references hereafter to Ma's article will not be separately notated)

For many years now, we have consistently taken the problem of the ownership system of the means of production as the basic problem of production relations. We have taken it the basic hallmark delineating social economic patterns. In the past, in the study of the socialist portion of political economics, attention was focused on the problem of the public ownership system of the means of production which was taken as the basis of socialist production relations and as the starting point of socialist production and distribution. After a year's discussions, some comrades have pointed out that in the socialist construction period there were many special and complicated economic relations. The economic sectors manifesting such relations must necessarily be of a special nature and therefore need to be studied intensively and be explained in a concrete manner. If the study is limited to the ownership of the means of production, then the need for further study would be negated simply by the existence of a "public ownership system."

(2) Concerning the Question of Exchange Relations

Sun Yefang was of the opinion that "in Stalin's definition of production relations, he did not single out exchange relations separately but brought them up as one of the items of man-to-man relations in the direct production process (so-called "reciprocal-exchange of labor"). This was precisely Duhring's viewpoint and was severely criticized by Engels. Stalin's viewpoint of refuting the circulation process "precisely reflected the refutation of circulation in actual practice and a resort to rationing in kind." "It was highly detrimental to the solution of many complicated problems in actual practice."

Zhu Jiannong said: Marx's reference in his treatise, "Hired Labor and Capital," to "The Mutual Exchange of Activities" and his reference in the preface to "Critique of Political Economics" to the "Distribution of the Constituents of Society Among the Various Categories of Production" both treated men as constituents of production relations in the direct production process and not of the production relations in the exchange process. In this way, "Stalin had confused the two processes of production and circulation, which share mutual conditions but are essentially dissimilar, and talked of them as one process." In the opinion of Comrade Yu Shabo, Stalin failed to examine production relations from the standpoint of the processes of production and reproduction in society. Hence, what he referred to as the "mutual exchange of activities" may be interpreted as mankind's mutual exchange of activities in the direct production process, meaning the exchange of labor, but did not comprise the wholesale exchange of products (and commodities). (Yu Shaobo: "Ownership System as the Sum Total of Production Relations," JINGJI YANJIU no 3, 1980)

Jiang Xuemo did not agree with the above views. He was of the opinion that the crux of the matter lay in determining the meaning of the short phrase, "mutual exchange of activities." Stalin himself believed that this short phrase already contained the meaning of the term "exchange" in the definition of the subject matter of study in political economics found in Engel's book "Anti-Duhring."

He further notated that he had quoted from Marx's work "Hired Labor and Capital." According to Marx's original idea, the "mutual exchange of activities" here should be understood as the "relations of the division of labor and man's cooperation in all the production processes of society," and "represented a form of exchange embodying a most general and broadly comprehensive meaning." "It was most fitting to use the phrase 'mutual exchange of activities' to comprehend the relations of the exchange of living labor and the exchange of products. Stalin's explanation in this regard was very convincing."

(3) Assessment of Stalin's Definition

Among those comrades in favor of refuting Stalin's definition of production relations, Sun Yefang held that Stalin had made an incorrect revision of Engels' definition of the subject matter of political economics and the contents of production relations and represented a retrogression from Engels' position. Hence, it would be only proper to restore Engels' exposition on production relations in "Anti-Duhring." Comrade Zhang Wentian mentioned five points opposing Stalin's definition. Principally, he held that, in the field of political economics, by omitting to study the productive forces manifested in production relations and only making a study of the ownership relations, Stalin in effect made production relations artificially simplified and lopsided. He further believed that Stalin's refutation of the ownership relations of production, distribution, exchange and consumption diminished the significance of production relations as being the social economic structure. He further alleged that Stalin had confusedly mixed together the "mutual exchange of activities of the individual" among mankind with the exchange of products and so forth. Some comrades believed that we should restore Marx's theory of the four stages of production relations and study socialist production relations on the basis of the four stages of production, exchange, distribution and consumption and in this way set up a system of socialist political economics. (Hong Yunpeng: "We Should Restore Marx's Definition," XUESHU YUEKAN, no 12, 1979)

As for those comrades who supported Stalin's definition of production relations, they still differed somewhat as to precisely how to express this definition. Some comrades were in complete agreement with Stalin's so-called "three-aspects method." Just as Jiang Xuemo said: "What Stalin said about the three aspects was correct. We should not refute it lightly." In his opinion, the "three aspects" and "four stages" versions can coexist without impeding each other but instead supplement each other. The "three apsects" version pointed out the inner content of production relations. On the other hand, the "four stages" version pointed out that we should not quietly and isolatedly study production relations alone but should study production relations from the standpoint of the process of the production movement of society and from the separate stages of production, distribution, exchange and consumption that form the constituent parts of the production process of society. Both versions belong to the sphere of Marxism."

Some other comrades, such as Ma Shufang, expressed the view that Stalin formulated the definition of production relations after having vertically dissected production relations and that he correctly gave eminence to the decisive role played by the ownership system of the means production in production relations. Furthermore, he added, this definition was able to reveal the nature and substance of production relations. Hence, it was an improvement of Engel's definition. Still, this definition did not cover sufficient ground and should have included the form of the ownership right of the labor force.

The third batch of views contended that concerning production relations, the "three aspects method" and the "four stages" were both wrong. Both of them ignored labor relations and simply attributed all economic problems to the problem of the ownership system. In their opinion, "any kind of production represents the union of the means of production and the labor force. Production relations are likewise the union of the ownership system of the means of production with the social relations of labor. Both are generated at the same time by a definite groundwork of productive labor. They share mutual conditions and are prerequisites for one another. (Chan Baio: "We Must Clarify What Production Relations Are," QUNZHONG LUNCONG, no 2, 1980)

Problems That Need Further Study

Taking a vertical look at the discussions on the question of the subject matter of political economics over the past year, we may find many divergent views but it must be admitted that the discussions have helped to effect a better understanding of certain problems. Despite the divergent views, the discussions have been thought provoking and encouraged further and deeper study. At the same time, people have realized that the discussion has not been penetrating enough. Some of the articles were not in touch with the actual economic situation of the nation and failed to provide sufficient support for their statements. In addition, there are still many other problems that need further research. Here I cite the following:

1. How to treat the following passage from Marx's book "Das Kapital!" "What I want to study in this book is the production form under capitalism and its relevant production and exchange relations." Just what is production form? Does political economics need to study production form, and, if so, in what way?

2. What status should we accord to the study of the productive forces in political economics?

3. What is the ownership right or ownership system of the labor force? What is the actual significance of study on this problem?

4. How are we to understand and assess the position and role of exchange in socialist economics?

5. What important position do consumption pattern and consumption relations occupy in the study of the socialist sector of political economics?

6. What are the basic and special features and trend of development of the present stage of socialist production relations in our country? How may the study of the socialist sector of political economics further progress in order to better serve socialist modernization and construction?

Problems of this kind all need to be studied further and more penetratingly. Since socialist modernization and construction aim at considerably raising the currently very backward status of the social productive forces, naturally there is a need to readjust and reform the production relations of society in order to conform to the relevant demand for developing the productive forces. It is eminently clear that

the discussions on the subject matter of the research on political economics are important and are closely related to the accomplishment of this great historical task. If only we can continue to identify closely with the realities of economic construction and economic reform now in progress and engage steadfastly in further experimental work, then the theoretical accumulation of the socialist sector of political economics will achieve a new and higher development and make suitable contributions to socialist modernization and construction.

CSO: 4006

NATIONAL POLICY AND ISSUES

TASKS OF STATE ENTERPRISES DISCUSSED

HK070705 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 29 Sep 80 pp 47-52

[Article by Wang Zhuo [3769 3820] of Guangdong Light Industry Bureau: "On the Primary Economic Tasks of State-owned Enterprises--With Comments on the Production and Composition of Commodity Value and the Law of Necessary Social Value"]

[Text] Recently, in our study of economics on the management and control of enterprises, we came across the question of what were the primary economic tasks of socialist state enterprises. This led us to probe into certain basic theoretical problems in socialist political economics, such as the production and composition of commodity value and the necessary economic laws of the society. In our opinion, the study of these problems is very significant.

What are the economic tasks which the production and management activities of socialist state enterprises aim at accomplishing? What are their primary economic tasks? The usual reply frequently stresses that state enterprises aim at providing society with a supply of products. Seldom is it stressed that they are to supply society with surplus products. It is also usually stressed that they are to produce utilization value for the society, and seldom is it stressed that they are to create the necessary social value. What is the source of these replies? Are they all-embracing or not?

In the early 1950's, a basic viewpoint emerged in the Soviet Union. It was that the economic task of socialist state enterprises was to produce utilization value and this was taken as a symbol to differentiate the nature of socialist enterprises from that of capitalist enterprises. In 1954, in the first edition of the Soviet Union's "Textbook on Political Economics," the discussions on socialist commodity value and utilization value stressed mainly the significance of the production of utilization value and ignored the significance of the production of value. The source of this basic viewpoint, which in discussing the economic tasks of enterprises neglected the necessary social value--namely, the surplus products and their value form--can be found in Stalin's book entitled "Problems of Soviet Socialist Economy." Stalin wrote: "We must discard the concepts which were taken from Marx' book 'Das Kapital,' which specialized in the analysis of capitalism, and which were superimposed on the socialist relations of our

country, the concepts I have in mind include such concepts as 'necessary' labor and 'surplus' labor, 'necessary' products and 'surplus' products, 'necessary' time and 'surplus' time." (Stalin: "Problems of Soviet Socialist Economy," People's Publishing House, 1961 edition pp 12-13) As a result, since then no mention has been made of the task of state enterprises to provide society with surplus labor and surplus products and their value forms, namely, the necessary social value. This has caused detrimental effects in actual practice. For example, in planning, in economic control and enterprise management, stress was only put on the creation of utilization value while neglecting the creation of necessary social value which created a drawback.

Actual experience in the 30 years of economic work in our country has proved that Stalin's neglect of the categories of surplus labor and surplus products was not appropriate. As we see it now, there are two economic tasks which socialist state enterprises must perform. They are: 1) to provide society with commodities which possess utilization value; and 2) to provide society with surplus products whose value form is the necessary social value (taxes and profits). How are these two tasks related to each other?

The task of state enterprises to produce utilization value and to provide society with quality products to meet consumption needs is a very important one. This is because the direct aim of socialist production is to satisfy social needs. However, socialist economy cannot forever stay at a sea level. It must develop and move forward and the ultimate objective is to reach the higher level of communism. In order to achieve this objective, socialist production must "continually increase and improve on a highly technological foundation." (Ibid, p 59) This requires definite material conditions. Speaking from the standpoint of value formation, there must be a large amount of capital construction investment, while speaking from the standpoint of utilization value, there must be cement, rolled steel and timber, and there must be machinery and equipment and so on. Where do these goods come from? Insofar as the industrial departments are concerned, we have to depend on workers of state enterprises to provide surplus labor and to create surplus products for the state. If workers in state enterprises cannot provide surplus labor and cannot create surplus products for the state, production cannot be expanded.

In order to attain the higher stage of communism, socialism cannot rely on a "skimpy transition period." It must have a firm basis of development in production and be able "to satisfy to the greatest extent possible the normally increasing material and cultural needs of the entire society." (Ibid) In order to achieve this objective, there must be definite material conditions. Where do these material conditions come from? They must come from the workers providing surplus labor, surplus products and necessary social value. If the value of the commodities produced by workers of state enterprises is only sufficient to compensate the use of labor needed to manufacture commodities without providing for surplus labor or creating surplus products, naturally it will not be possible to raise the living standard of the people by means of increasing wages and salaries and of lowering the prices of consumer goods. This is because if the workers in the course of production cannot create

funds for taxes and cannot create profits, or if the amount of taxes remitted to the state and the amount of profits made are too little, then the state will not have sufficient money and material resources to increase wages, and the living standard of the people will not reflect the needed improvements.

Engels said: "The surplus value formed by the value of the products of labor surpassing the cost of labor maintenance and the social production funds and reserve funds formed and accumulated from these surpluses were and still are the foundation for the continued progress of social, political and intellectual development. ("Selected Works of Marx and Engels," "Anti Duhring," Vol III, p 233) Hence, the provision of surplus products (whose value formation is the necessary social value) to society by state enterprises is the economic basis insuring the development of the transitional process from socialism to communism. Viewed in this context, of these two economic tasks of state enterprises, the more important one is that of providing society with surplus products in order to satisfy the development needs of society. Of course, providing society with commodities of utilization value in satisfaction of its current needs is also a very important and indispensable task of the state enterprises. If this task is not fulfilled first, then it will not be possible to talk about fulfilling the task of providing surplus products. However, from the standpoint of social development, providing surplus products to the society is the primary economic task of state enterprises.

Is there a law in existence in socialist economy governing necessary social value? Regarding this problem, we must analyze the formation and composition of the value of socialist committees.

Marx did not answer and did not need to answer the question of how to analyze the production of the value of commodities of state enterprises. This is because Marx had predicted that in a socialist society the relations of commodities, value and currency would vanish.

However, the problem which Marx did not need to answer is a current one. In a socialist society commodity production, and indeed expanded commodity production, still exists. Now, under the conditions of an expanded commodity production which Marx did not foresee, how should we analyze the production process of the value of socialist commodities?

The general saying is that socialist commodity production is also the unification of the labor process and value formation process. Obviously, this is an indiscriminate use of Marx' analysis of the simple commodity production process. The reason for this indiscriminate use is to evade the use of the economic category employed by Marx in the analysis of capitalist relations. However, actual economic living conditions show that under the conditions of simple commodity production there is no need to divide labor into necessary labor and surplus labor, whereas under the conditions of socialist expanded commodity production, labor must necessarily be divided into necessary labor and surplus labor. If the workers fail to provide surplus labor, then neither socialist material reproduction nor the reproduction of socialist production relations can be expanded. If this is the case, then even a socialist economy would find it difficult to subsist because of a prolonged period of stagnation, not to mention the fact that the transition from socialism to the higher stage of communism would be out of the question.

However, Stalin insisted on discarding such economic categories as surplus labor and surplus products. This has caused confusion in the value theory of commodities. The first edition of the "Textbook on Political Economics," compiled by a group of writers of the Economic Research Bureau of the Academy of Sciences of the Soviet Union, had an article on the formation and structuring of the value of commodities of state enterprises which says:

"The social production expenses of commodities make up the value of the commodities."

"The social production expenses consist of the following three parts: value of the consumed production materials, value created by labor for oneself and value created by labor for society."

"For socialist state enterprises, the first two parts of production expenses mentioned above constitute the production cost of products."

"The products belonging to society and made from the labor of socialist production workers constitute the net receipts of society."

The net receipts of society are the properties of the whole people. "They embody two basic forms: net receipts of the state enterprises and net receipts of the state through centralization."

The following two points concerning the above passages are worthy of study:

1. That "the social production expenses of commodities make up the value of commodities" is a textbook explanation applied mechanically from Marx' analysis of the value formation of capitalist commodities. Marx' analysis was directed against the notion of the capitalists that only the cost of production of commodities is payment for production expenses but that the surplus value constitutes profits and is not payment for production expenses. In order to rectify this erroneous idea of the capitalists, Marx insisted on the principle of the labor theories of value, to the effect that the three "C.V.M." [expansion unknown] portions of commodity value all comprise payments for production expenses. This analysis was clearly aimed at a capitalist economy and was an answer to a factual problem in the labor theory of value. On the other hand, the indiscriminate use of this textbook explanation by Marx is inappropriate since it was not aimed at the value formation of socialist commodities. Nor was it an answer to any factual problem.

2. The so-called net receipts of society, net receipts of the enterprises and net receipts of the state concern the problem of how to distribute value upon its formation. They belong to the realm of the distribution of the national income and basically do not fall into the category of value formation. This analysis may be said to have made Marx' labor theories of value fall back to the realm of classical economics. According to the classical economists, land rent, profits and interest made up the value of commodities. The reason for this regression was to get around the "forbidden area" of the economic concept set up by Stalin concerning surplus labor, surplus products and their value form--the necessary social value.

It appears that to make a correct analysis of the problem of the formation and composition of the value of socialist commodities we must first break through the "forbidden area" set up by Stalin. We must admit that the value of socialist commodities is the result of labor, and that labor must still be divided into necessary labor and surplus labor. It will not do to evade these economic categories; to do so would be detrimental and harmful.

Stalin said that in Marx' book "Das Kapital" the categories mentioned, such as necessary labor and surplus labor, necessary products and surplus products, necessary time and surplus time, were in complete agreement with capitalist relations. This was indeed correct. However, the problem lies in Stalin's assertion that categories which reflected capitalist relations could not be used to reflect socialist relations. This would bring about a "crisis" in political economics under socialism. This is because if we are to follow Stalin's viewpoint and push it further such economic divisions as commodities, value, currency, wages, cost of production, profits and interest would be banned from utilization. Should this be the case, then we would be on the wrong track and inconsistent with Lenin's theory of dividing economic category into two main groups. Lenin pointed out that the economic category should be divided into two main groups: one is the division of the labor process and the other is the division of social relations. The so-called labor process is the social production process in general. Marx said: "The labor process is a simple and essential process between man and nature, and this definition applies to all the social developmental forms of this process. But each definite historical form of the labor process will further develop the material basis of the process and the social form. After reaching a definite mature stage, this historical form will be abandoned and will give way to a higher form. (Marx: "Das Kapital," Vol III, People's Publishing House, 1975 Edition, p 999) Thus, it is seen that Lenin's theory of dividing the economic category into two large groups is in line with a general summary of Marx' theory.

The categories of necessary labor and surplus labor, of necessary products and surplus products and of necessary time and surplus time employed by Marx belong to the economic category of the labor process. When these categories reflect capitalist relations, the economic nature and substance of capitalist relations are exhibited. Similarly, when they reflect socialist relations, the economic nature and substance of socialist relations are exhibited. Marx said: "Surplus labor in general, as labor in excess of a definite quantity required, must always exist.(Ibid, p 925) Thus, in Marx' opinion, surplus labor in general definitely exists. We shall now proceed to make a deeper analysis of the problem of the formation and composition of socialist commodity value on the basis of Lenin's tenet of dividing economic category into two big divisions and of the principle of Marx' theory on surplus labor in general.

The structure of socialist commodity value is still composed of the three parts, C., V. and M. But how is socialist commodity value produced or formed?

The "C" portion of the commodity value consists of the value of the production materials which has been converted or transferred in the course of the labor process. It is not newly created value.

The "V" portion of the commodity value is value created by the necessary value of the workers. Its actual material form is the necessary product; its value form is the necessary value, and its currency form is salaries and wages. The problem is that, in a socialist society the phenomenon of the social relations of labor power being converted or transferred into a commodity no longer exist. Hence, there no longer exists any law governing the value of labor power. On what basis then is the quantity of this necessary value regulated? Actual practice in economic work has told us that the regulation of this quantity of necessary value is based on two considerations. One of them is the general level; the other is the amount of the individual's income. To find the general level we must first work out the ration between the accumulation funds and the consumption funds in the national income, giving due consideration to actual need and probability and basing it on an increase in labor productivity and in consumer goods. The ratio between social consumption funds and individual consumption funds is then worked out, and due consideration is given to actual need and probability. This ration of consumption funds governs the general level of the individual's necessary value. On the basis of a definite or fixed general level of the individual's necessary value, what each worker receives is adjusted by the principle of distribution according to work. Thus, the principles of "more work more pay," "less work less pay" and "no work no pay or nothing to eat" are implemented.

As for the "M" portion of the commodity value, it consists of value created by the surplus labor of the workers. Its actual material form is the surplus product and its currency form is the profits and taxes of the enterprise. Now the problem is: What is the concept covered by this value form of surplus products? The moment we touch on this problem, we are in difficulty as we are afraid that it may trespass on the concept area of capitalist surplus value, and it is not known how to make a clear line of demarcation between the two. Concerning this question, I suggest making an analysis in two different ways:

1. Following an analysis of the social relations and an analysis of the economic nature of the "M" portion of commodity value, it should be clearly pointed out thus: labor expended by workers on the formation of the "M" portion of commodity value is also the workers' necessary value. In order to differentiate the concept of the labor expended by workers on forming the "M" portion of commodity value from that [words indistinct] "V" portion, we can use the concept of the individual's necessary labor to apply to labor forming the "V" portion of the commodity value and the concept of necessary social labor to labor forming the "M" portion of the commodity value. Products created by necessary social labor will use the concept of necessary social products. As for their value form, the concept area of necessary social labor may be used. And why should this be the case? This is because the necessary social value created by the workers form the social funds which, following distribution, are ultimately returned to the workers through various channels. Viewed from the standpoint of social relations, it is the necessary value created by the necessary labor of the workers.

2. Based on an analysis of the labor process and on an analysis of the source of the "M" portion of the commodity value, it can be seen ([word indistinct] of the "M" portion of commodity value must have a prerequisite condition. This

prerequisite is what Marx called labor in excess of a definite quantity requirement," in other words, surplus labor in general. Now the problem goes back to what economic concept applies to value created by surplus labor. This is a problem which so far very few people have cared to look into. In my opinion we can perhaps derive some sort of understanding from what Marx said in the following: "If we remove the special capitalist nature from salaries and wages and surplus value and from necessary value and surplus labor, what remains will not assume their several forms but will instead be the basis commonly owned by all production form of the society." (Ibid, p 990) The meaning of Marx' words is: surplus value in general cannot be considered as being exactly the same as capitalist relations. In other words, the concept of surplus value can reflect only capitalist relations while the concept of salaries and wages and profits reflects both capitalist and socialist relations. I think Marx' analysis is both penetrating and scientific. Many of the economic concepts found in socialist political economics are adopted from the concepts employed by Marx in his analysis of capitalist relations. Why is it that there are generally no objections to the concepts of salaries and wages and of profits which we use today? The reason is found in Marx' scientific analysis. I believe that concerning the concept of surplus value, the same analysis may be made, that when the special capitalist substance is removed therefrom what remains is the surplus value in general. When this surplus value in general reflects socialist relations, it becomes a special historical form of surplus value. We can then contrast social surplus value and capitalist surplus value. Also, we can go a step further and add the word "capital" in front of the capitalist surplus value, calling it the capital surplus value so that there is a clear distinction.

Viewed from the standpoint of social relations, capital surplus value reflects the exploitative nature of hired labor under capitalism, whereas social surplus value reflects the mutual assistance and cooperative relations of the comradeship type among the ranks of the working class and the laboring masses. Seen from the standpoint of the working class and the laboring masses, the nature of social surplus value is the necessary social value created by the necessary social value of the workers. For this reason, under ordinary conditions it is sufficient to use only the necessary social value. Except in cases of special need, generally speaking we need not resort to the use of surplus social value.

The necessary social value (taxes and profits) divided by the number of production workers yields the productivity rate of necessary social value. Under conditions of gradually raising the wage level of the workers, the primary economic task of state enterprises is to strive to raise the productivity rate of the necessary social value. At present this productivity rate varies considerably among the state enterprises and the various trades. This is the outcome of complicated historical factors. We must strive to raise the productivity rate of the necessary social value above the present level among the enterprises and trades.

Socialist industrial enterprises must examine and find out the relations between the cost of production and the value of the commodities. They must check the

relations between expended funds and the value of the commodities. They must make the cost of production (C plus V) of the commodities smaller than the value of the commodities (C plus V plus M), so that the same amount of expended funds can yield the largest possible necessary social value. Practical economic work has amply testified that this accounting work is extremely necessary and indispensable. If this accounting and checking work is not done and the cost of production of commodities is not made smaller than the value, and if the necessary social value is not made greater than the expended funds, then where will the social accumulation funds come from? If under ordinary conditions state enterprises are not made to provide the necessary social value and if the [word indistinct] value of commodities is used up in compensation, then the enterprises will eat up everything, and accumulation, an advanced function of the society, will be negated. How then can social accumulation funds be formed and distributed? If there are no social accumulation funds formed or distributed, there will be no expanded reproduction of material resources and no expanded reproduction of production relations. Socialist economy will then remain forever at a certain level of development. This would be unimaginable.

Naturally, the increase in the gross value of necessary social value provided by the state enterprises primarily depends on the rapid development of production. However, production development must be combined with lowering the cost of production since this is the way to raise the productivity rate of the necessary social value. If, on the other hand, the cost of production of the enterprises is too high and income cannot match expenditure, then a situation of increased production yielding a bigger deficit would result.

After analyzing the formation and composition of the commodity value of state enterprises, another subject matter for further study is: Does a law of necessary social value exist in socialist economy? I feel that the reply is definitely in the affirmative. Concerning social relations, socialist production differs in substance from capitalist production. The direct aim of capitalist production is not the production of commodities but rather the production of surplus value. Hence, labor itself is necessary only under conditions of creating surplus value for the benefit of the capitalists. Only then is it called productive labor. On the other hand, the direct objective of socialist production is for the sake of man and his needs. However, speaking from the standpoint of the laboring process, and also from the standpoint of socialist expanded commodity production, socialist production and capitalist production have something in common. Therefore, under normal conditions, the production of state enterprises, in order better to fulfill its objective, can be called economically rational only if it creates necessary social value. Only in this way can it be called expanded commodity production which is really needed by society. If under normal conditions state enterprises cannot provide necessary social value, then this is not economically rational and the enterprises cannot be considered as engaging in expanded commodity production really needed by society.

What then is the law of necessary social value? If production of the state enterprises is expanded commodity production, naturally it provides necessary social value. The natural economic process involved is the law of necessary social value. Under normal conditions, violation of this law will cause state

enterprises to be unable to provide necessary social value and hence to be unable to carry out expanded commodity production. If all state enterprises cannot provide necessary social value, then it means that socialist production cannot realize its objective. The serious havoc wrought by Lin Biao and the "gang of four" during the 10 years of great calamity brought about the loss of a large amount of necessary social value. It rendered impossible the betterment of the people's lives, wrecked the objective of socialist production, brought the national economy to the brink of collapse, and disrupted the working of the basic economic law of socialism. This negative experience caused us to see all the more clearly the existence of the law of necessary social value. We should make a deeper study of this problem.

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MERITS OF RAPID DEPRECIATION OF FIXED ASSETS WEIGHED

Not a Marxist Concept

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[Article by Wang Wenbin [3769 2429 1755] "Depreciation of Fixed Assets Must Conform to Actual Wear and Tear]

[Text] Recently, many comrades have advanced various views regarding depreciation of fixed assets. Some claim that our existing depreciation rates are too low and should be raised considerably. Now I wish to express my views on this question.

I.

The depreciation of fixed assets, according to the Marxist viewpoint, is to provide adequate funds to renew fixed assets when their useful life ends. Consequently, the depreciation of fixed assets must be commensurate with their wear and tear. Excessive depreciation will hike production costs, cut back the profits to be surrendered to the state, affect commodity prices and disrupt the ratio between accumulation and consumption. However, insufficient depreciation will lead to an unreasonable reduction of production costs, inflate the profits surrendered to the state, affect the ratios between commodity price, accumulation and consumption, and force enterprises to draw on their capital. So both excessive and insufficient depreciation are harmful.

According to Marx, the depreciation of fixed assets should cover three factors: mechanical wear and tear, natural wear and tear, and intangible wear and tear--all of which must be considered in calculating the depreciation rates of fixed assets. There is no room for subjective, artificial increases and reductions.

Since World War II, the capitalist countries of the West have been using quick depreciation," a Keynesian device to enable the state to intervene in economic life and defend the interests of the monopolist capitalists. It artifically raises production costs, cuts back on profits and taxes, and puts heavier financial burdens on the working people. In an attempt to encourage investment and usher in economic revival, it stimulates production, makes monopolistic capital more competitive, and reduces taxes on monopolistic capital during a depression or crisis.

The United States was the first country to introduce "guide depreciation." In 1942 the American Government allowed all monopolist enterprises which had defense contracts to depreciate completely their factory buildings and equipment over a period of 5 years (at that time, the prevailing rates were 50 years for factory buildings and 20 years for equipment), in order to induce the capitalists to invest in and speed up arms production. This gave the big monopolist arms manufacturers an opportunity to net a tremendous amount of profit. This policy is widely copied by various capitalist countries. Now the number of years to depreciate fixed assets in the Western capitalist countries has been cut back 50 percent. In the United States, for example, the period for depreciation before 1950 was 50 years for factory buildings and 20 years for equipment. (Within this period, ferrous metal metallurgical equipment was allowed 25 years, metal processing equipment 15-25 years, textile equipment 40 years, railroad equipment 28 years.) The period for total depreciation of machine equipment was cut in 1962 to 8-15 years and further reduced in 1971 to 6.4-12 years. Japan allowed 21 years to depreciate equipment installed before 1950, but the period was cut back to 7.6 years in 1971. To stimulate production, Japan has also adopted special accelerated depreciation. The first way is to increase the depreciation rate at the beginning. For instance, machinery for pollution control may be depreciated 33 percent the first year; medium and small enterprises may depreciate their equipment at an annual rate of 30 percent for the first 3 years; and energy-saving equipment may be depreciated 25 percent the first year. The second is authorized accelerated depreciation. For instance, a newly constructed building for lease may double its annual rate of depreciation during the first 5 years. A newly built house for rent with an estimated life of 45 years may be depreciated 1.5 times the annual rate over the first 5 years.

It must be pointed out that even though some capitalist countries favor accelerated depreciation, this does not apply uniformly to all industries. For instance, Japan requires a shorter period to depreciate steel-constructed ships (10-15 years), computers (6 years) and automobiles (4 years). However, it takes 20 years or more to depreciate all other equipment and buildings. Accelerated depreciation is applicable to these three industries because Japan is quite advanced in these areas and the Japanese Government wants to help the monopolist capitalists in order to encourage them to renew their equipment sooner, so as to enhance productivity and competitiveness. These measures also help the shipbuilding, electronic, and automobile industries to increase their sales. Their objectives of adopting accelerated depreciation are quite obvious.

As a socialist country, we should work out our own method for depreciating fixed assets according to Marxist principles and the actual conditions in our country. We cannot adopt "quick depreciation" measures blindly.

First, quick depreciation of fixed assets will affect the level of consumption and disrupt the normal ratio between accumulation and consumption. Today, the fixed assets of all our enterprises owned by the whole people are worth 320 billion yuan. Raising the depreciation rates 5 percent would mean a loss of 16 billion yuan in revenue. If the depreciation rates remained

unchanged and the rate of accumulation were 25 percent of the state revenue, 12 billion out of the 16 billion yuan would be set aside for consumption. Once the depreciation rates were raised, this sum of 16 billion yuan derived from depreciation would have to be spent for renewals. This means a change in the ratio between accumulation and the national income. We know during the First Five-Year Plan period, when the accumulation rate was only 24 percent, the relative ratios were well adjusted, the economy showed steady growth, and commodity prices remained stable. These ratios were seriously disrupted when the accumulation ratio rose to 40 percent during the Second Five-Year Plan period. This is a lesson worth remembering. We must not adopt quick depreciation measures which will force up the rate of accumulation and disrupt the equilibrium of the national economy.

Second, any quick depreciation measures we adopt must be commensurate to the technological and financial capabilities of our country. Our existing financial and material resources are not adequate to support any indiscriminate quick depreciation. As mentioned above, our fixed assets owned by the whole people are worth 320 billion yuan. An increase of 1 percent in the depreciation rate would amount to 3.2 billion yuan. If the entire amount were spent for renewal and renovation of equipment, we would have difficulty getting supplies. The capitalist countries, always plagued by overproduction, can have all the supplies they need if they have the money. Unlike the capitalist countries, our trouble is underproduction; money alone will not help much. In 1975 a Shanghai shipyard placed an order with a certain machine tool plant for a gear-hobbing machine which to date has not been delivered, even though the plant received 500,000 yuan in advance. They say there are not enough supplies to meet the need for equipment renewal, even at the existing rate of depreciation. If the rate were raised, the extra funds would not do any good except to force up production costs artifically.

Third, with huge sums of depreciation funds at their disposal, all enterprises are prone to do something with the money they have. But will crowded schedules of capital construction and industrial renewal really help the construction of the country? Moreover, higher depreciation rates will help both new and big enterprises which have more fixed assets and can claim more depreciation than older and smaller ones, which have very few fixed assets and cannot claim much to overhaul their "wornout equipment." This will make the whole thing even more anomalous.

Fourth, our country, resting on a weak industrial foundation, has to focus its attention not only on fully utilizing enterprises but also on improving and overhauling old equipment. We do not oppose equipment renewal [replacement] in general. This means renewing that which is already at the end of its useful life. To put equipment to more efficient use, we also favor the renewal of equipment which has sustained intangible wear and tear. But we want to use older equipment as much as we can, and improve it whenever possible. Since the production of equipment in our country cannot reach the level attained by the capitalist countries, isn't it a waste to raise the depreciation rate and move up the retirement of equipment? In Japan a 4-year-old

automobile is completely depreciated and scrapped. We can use the same automobile for at least 10 more years. If we depreciate and scrap our automobiles in 4 years, how are we going to get enough automobiles to meet the need? If we spent the money derived from depreciating automobiles which we do not scrap, would that be compatible with the purpose of depreciation?

Fifth, although we did not adopt quick depreciation measures during the First Five-Year Plan period, our production and technology developed quite rapidly. The setbacks we suffered all those years were due to the disruption and destruction by Lin Biao and the "gang of four." No doubt we do have problems in our financial system which require study and improvement. But we believe we do not need the capitalist quick depreciation system to speed up the four modernizations and encourage enterprises to work for the development of science and technology.

II.

The depreciation of fixed assets, according to Marx is for the purpose of renewing them. That calls for simple reproduction of fixed assets. Marx said: "The duration of this period begins when the means of production enter the production process and ends when they are totally depreciated, are no longer useful, and must be replaced by new products or by reproduction of the old ones."[1] What does simple reproduction mean? Does it mean that the renewal or replacements should retain the original design, price and scale of production? As science and technology advance, "labor instruments also improve along with industrial progress. So renewals are new products rather than the originals.[2] However, any expanded scale of production is due to efficient means of production instead of capital accumulation. That is still simple reproduction. It means that this expanded scale of production--a renewal which does not increase in value--still falls within the scope of depreciation. Another situation involves depreciation credit accumulated during the years when a machine is being depreciated. At the end of its life, the credit is converted into cash to acquire a new machine. This completes the cycle. Before its reproduction becomes due, its value is built up by gradual accumulation of a "reserve fund"[3] which may be used for its expanded reproduction. However, this has its limitations, which may be shown as follows: The table below indicates the annual accumulation of a reserve fund for a machine priced at 10,000 yuan and due for total depreciation in 10 years.

	Accumulation of Depreciation Fund
1st year	1,000
2nd year	2,000
3rd year	3,000
4th year	4,000
5th year	5,000
6th year	6,000
7th year	7,000
8th year	8,000
9th year	9,000
10th year	10,000
Total	55,000

Average rate of accumulation = 55,000 ÷ 10 = 5,500 yuan
Ratio against original value = 5,500 ÷ 10,000 = 55%

If an enterprise wisely spends the depreciation fund in cash, about one-third of it [55% ÷ (100% + 55%)+ ± 35.5%] may be available for expanded reproduction. More cash accumulation would be required if the fund were used to buy new equipment:

	Depreciation of the First Machine	Depreciation of the New Machine
1st year	1,000	--
2nd year	2,000	100
3rd year	3,000	200
4th year	4,000	300
5th year	5,000	400
6th year	6,000	500
7th year	7,000	600
8th year	8,000	700
9th year	9,000	800
10th year	10,000	900
Total	55,000 yuan	4,500 yuan

Average rate of accumulation = (55,000 + 4,500) ÷ 10 = 5,950
Ratio against original value = 5,950 ÷ 10,000 = 59.5%

This means that the amount of depreciation fund used for expanded reproduction cannot be more than 37.3 percent [59.5% ÷ (100% + 59.5%)].

In a letter to Marx, Engels provided two depreciation schedules to illustrate this point. In one schedule, the capitalist uses the depreciation fund to earn interest, and in the other he uses the annual depreciation fund to buy new machines every year. This is what Engels said about the latter case: "The factory owner uses the depreciation fund.....step by step.....to invest in new machinery. ... This kind of bookkeeping helps him use the old machinery to acquire 60 percent of the new machinery without spending a penny of his profit." 4

However, a new enterprise which normally has new equipment is not likely to make annual acquisitions of new equipment. Consequently, it will not spend the depreciation fund in equal portions. We believe it is wise to keep the portion of the depreciation fund used for expanded reproduction at 20 to 30 percent.

The above explanations lead us to conclude that, as a rule, a depreciation fund should be used for simple reproduction of fixed assets. Even though the cash accumulated may be used wisely for expanding their reproduction, it should not exceed 20 to 30 percent of the depreciation fund. There are two ways to distinguish expanded reproduction from simple reproduction of fixed assets. One depends on whether the value has increased, or, as Marx said, whether there is capital accumulation. The other is whether the production scale has expanded. If both were true, it would be considered expanded reproduction. If only one of the two is true, it could not be regarded as

expanded reproduction As mentioned above, technological advances may help renewed fixed assets to expand in their scale of production without any increase in value. That should not be considered expanded reproduction. Inflation may lead to an increase in the value of fixed assets without expanding their scale of production. This is still simple reproduction of fixed assets.

III.

We have tried to set down two rules to delineate the depreciation of fixed assets. The first rule sets limits within which the rates of depreciation may rise or fall. The second rule explains how much the depreciation fund, if any, may be used to expand reproduction. Now let us take a look at the actual conditions in our country.

Some comrades who notice that most of our enterprises still use the old equipment of the 1920's and 1930's, and that they do not have the money to renew them, claim that the major cause of this is the low depreciation rate. They therefore recommend much higher depreciation rates. We do not believe low depreciation rates are responsible. For example, the depreciation rate for all enterprises under the Shanghai Light Industries Bureau in 1978 was 4.61 percent. Some 28 percent of their fixed assets consisted of buildings due for total depreciation in 50 years. The rate for equipment due for total depreciation in 18 years was 5.6 percent. If these rates were followed through, all their fixed assets should be those of the 1960's. Why then are they still using fixed assets of the 1930's, 1940's and 1950's without renewal? In fact, some equipment has not been renewed for 20 or 30 years. Why? First, a part of the fund has gone to the state as revenue, and second, the remainder allotted to the enterprises is spent unwisely for expanded reproduction of fixed assets. The depreciation funds for Shanghai in 1978 (see following table) will show what has happened:

Unit: 10,000 yuan

	City Total	Metallurgical	Mechanical and Electrical	Chemical	Textile	Light Industry
Depreciation Fund	47,985	6,971	17,518	7,983	6,283	6,746
New Acquisitions Covered by Special Funds	57,701	11,462	17,490	8,965	7,563	9,542
Fixed Assets Scrapped	15,718	1,806	4,598	3,162	2,672	2,510

Note: Special funds consist of mainly depreciation funds, plus a small fraction of other funds.

As a rule, the depreciation of fixed assets in a particular year should cover the fixed assets that are scrapped in that year and replaced by simple reproduction. But the depreciation withholdings for the city as a whole, as show in the above table, are over 200 percent of the fixed assets scrapped. The current depreciation rates are by no means too low, even if we make allowance for continued use of overage equipments and funds for expanded reproduction of fixed assets.

Take the Jiangnan Shipyard in Shanghai, for example. In 1978 it withheld 5.28 million yuan for depreciation but scrapped only 2.38 million yuan worth of fixed assets at their original value. The depreciation fund withheld equaled 220 percent of the scrapped assets. It spent 2.1 million yuan of the fund for new equipment--not enough to replace the assets scrapped. However, since it surrendered 50 percent of the depreciation withholdings to the state, it did not have much left to get more. We understand that about 70 percent of the newly acquired equipment is for additional productivity and about 30 percent is for simple routine reproduction. These people are not interested in higher depreciation rates because the [rates] force up production costs, and the equipments they need are not available even if they have the money.

In recent years, due to the pressure of exacting production quotas, enterprises have all been exploiting old equipment and acquiring a tremendous amount of new equipment. The way they have been spending the depreciation funds demonstrates that their demands would be very difficult to satisfy even if the depreciation rates were much higher.

The above are our views on depreciation of fixed assets. Reforms of the financial system of the enterprises, including the depreciation of fixed assets, involve numerous problems affecting the four modernizations. They must be carefully handled. The only way to work out a Chinese solution to these problems is to intensify our investigation and research, listen to different views, and study the experience of other countries!

FOOTNOTES

1. "Das Kapital," Vol 2, p 176, People's Press, 1975.

2. Ibid, pp 190-191.

3. Ibid, p 183.

4. Ibid, p 671.

Not Practical for China

Beijing CAIZHENG [FINANCE] in Chinese No 6, Jun 80 pp 24-26

Article by Yin Weisheng [1438 5898 3932]: "'Quick Depreciation' Not Practicable for China"

[Text] "Quick depreciation" began in the United States. During World War II, the American Government allowed all monopolist enterprises which had military procurement contracts to depreciate their factory buildings and equipment in 5 years (at that time, private industrial plants could depreciate

their factory buildings in 50 years and equipment in 20 years), in order to encourage the capitalists to invest in arms production. This forced up the production costs of the enterprises, cut back their book profits and reduced their income tax payments. In reality, it was a hugh, gratuitous government grant to the monopolist capitalists. Later, when the capitalist economy ran into recurrent cycles of crises, the principal developed countries of the West adopted similar measures to encourage private investment, combat economic crises, and enhance the competitiveness of monopolist capital. These measures actually help the monopolist capitalists to earn hugh excess profits and shift the heavy burden of taxation onto the working people.

Today, some comrades in both theoretical and practical sectors have written articles and spoken out in favor of adopting "quick depreciation" to cut the period for depreciating fixed assets down to 5-10 years, in order to encourage the enterprises to take positive steps to use advanced technology for speeding up the four modernizations. I am of the opinion that "quick depreciation" violates the basic Marxist principle of the depreciation of fixed assets, deviates from the actual conditions in our country, and is uncalled for and impracticable for China.

In analyzing fixed and circulating capital in "Das Kapital," Marx said: "The fixed capital involved in the production process passes a part of its value (through wear and tear) on to the products. In spite of wear and tear, it still functions in the production process. Consequently, it takes a period of time to replace it in kind. At any rate, the replacement does not occur as frequently as in the case of circulating capital." ("Das Kapital," Vol 2, p 204) This means that as the fixed capital works in the production process, its appearance may remain unchanged after working for a time. Its components, due to continued use, will sustain loss from wear and tear till the end of its life. When loss from wear and tear accumulates, a part of the value of the fixed capital gradually passes to the manufactured products as a part of their cost. When the products are sold, it regains an appropriate amount of funds in cash. The loss from wear and tear which passes from the fixed capital to the value of the products is called depreciation of fixed assets. The cash fund recovered from the sale of the products is called the depreciation fund. The former stands for losses to fixed assets due to wear and tear as contained in the cost of the products, while the latter is the source of funds for the renewal of fixed assets.

Marx favored depreciation of fixed assets on these grounds. First, the depreciation fund provides a source of money for the renewal of fixed assets which "have become totally worn-out, are no longer functional, and must be replaced by new equipment or reproduction." Second, depreciation allows the total value of the fixed assets already paid in full to be averaged and distributed to the products which are turned out in a repetitive labor process." This helps us assess more equitably and realistically the level of cost and profit in order to achieve accurate evaluation of business efficiency and tighter accounting.

The value of the fixed assets as distributed to the cost of products, i.e., the exact depreciation rate, should be based on an objective criterion and must not be set at random. This objective criterion is the average useful life of the fixed assets. Marx said: "The value given or transferred by the means of production to the products they helped to form must be averaged out or figured out on the average useful life of the fixed assets." ("Das Kapital," Vol 2, p 176) The useful life of fixed assets depends on the extent of their wear and tear. An accurate estimate of the wear and tear of fixed assets is the prerequisite for determining accurately their useful life and a reasonable depreciation rate.

According to Marx, fixed assets sustain three kinds of wear and tear:

1. "The primary cause of wear and tear is through use. Generally speaking, the wear and tear of rails are in direct proportion to the number of trains operating thereon."

2. "Second, wear and tear are caused by forces of nature. For instance, the wooden railroad ties are exposed not only to wear and tear but also to rotting."

3. "Finally, intangible wear and tear are at work here as in any sector of big industry. The railroad cars and a locomotive originally priced at 40,000 pounds will drop to 30,000 pounds 10 years later." This is due usually to technological advances. "Most instruments of labor improve as industry advances.

Consequently, their renewals are innovated models instead of the original." (The above quotations on the wear and tear of fixed assets are from "Das Kapital," Vol 2, pp 190-191.)

Marx reiterated over and over that all of these causes of wear and tear must be equitably considered in determining the useful life of fixed assets. Those comrades who advocate "quick depreciation" place their emphasis on intangible wear and tear. They favor arbitrary reduction of the useful life of fixed assets and much higher depreciation rates, irrespective of actual wear and tear. Their proposals do not represent the real meaning of depreciation.

Those comrades who favor "quick depreciation" derive their theory from the Marxist principles of intangible wear and tear. They did not pay any attention to Marx's analysis of the circumstances leading to intangible wear and tear. Marx pointed out emphatically that the circumstance which "necessitates the substitution of new labor tools for old ones before the expiration of their natural life" is "competition," especially in time of drastic change." To be competitive, capitalists usually replace their old labor tools with new ones. Moreover, "in time of drastic change," capitalists, in order to survive, have to scrap their old labor tools, which are no longer competitive, and switch to new technological facilities in order to strengthen their competitive position, tide over crises, and overtake their competitors. At any rate, renewal of labor tools is predicated on scrapping the old ones. Since

the purpose of capitalist production is to seek maximum profit and to extract surplus value, old labor tools that are no longer competitive are practically worthless. Furthermore, this is usually brought about by an economic crisis due to overproduction. That is why Marx said: "Disasters or crises are the major reasons for earlier extensive renewal of equipment." But we are a socialist country, where the purpose of production is to satisfy as much as possible the ever-increasing material and cultural needs of society. Our production is large-scale socialized production guided by state plans. There is no competition, nor much less any economic crises due to overproduction. Consequently the claim, based on the theory of intangible wear and tear, that our country must adopt "quick depreciation" measures is not in accord with the basic Marxist principle of depreciation.

This does not mean that intangible wear and tear due to scientific and technological progress do not exist in our country. The technological facilities of the enterprises will change from day to day in order to keep pace with the advance of science and technology, especially in the present age of electronics, nuclear energy, and space flights. Such being the case, renewal of fixed assets must be a "replacement by innovated equipment" rather than a "restoration of antiques." Consequently, the depreciation fund, the source of funds for renewal, will increase with the advance of science and technology. When our existing measures for the depreciation of fixed assets were put into effect in the early years following liberation, problems of this kind did not receive adequate attention. To accommodate the ensuing changes, I think it is necessary to raise the depreciation rate (by 0.5 to 1 percent, for instance) or adjust it according to the conditions of each production sector. However, judging by existing conditions, the effect of intangible wear and tear has not yet reached such a dimension as to call for premature retirement of equipment. That is to say, "quick depreciation" is not in accord with the actual conditions in our country.

Chairman Mao once said: "When we make plans, do things, or figure out problems, we must proceed from the fact that we have a population of 600 million people, and we must never forget this." For a big socialist country like ours, with a population of 900 million people and a backward technology for achieving the four modernizations, self-reliance, thrift, and hard work should be the rule. To make use of advanced technology, we may learn best from other countries and import their technology. But we must not import complete sets of equipment without considering our own economic conditions. There are over 6,000 large and medium enterprises and hundreds of thousands of other enterprises operated by political subdivisions at county level and above. These are either owned by the whole people or collectively owned. They are the foundation to support the four modernizations. We ought to use our meager material and financial resources to transform this foundation. This means we must not abandon our original base, original enterprises, and original equipment and "start from scratch" in order to introduce advanced technology. On the contrary, since we have too many people and not enough means of production, we just cannot afford to let some equipment "retire" and enter "junkyards," even if it is unfit for modern large-scale production, if it is useful enough to be transformed. In view of the special characteristics of our

country, we think there are three ways to deal with our technologically backward equipment--namely, to transform, transfer, or retire it.

To transform equipment means to innovate technologically backward equipment by raising its technical and productive functions to an advanced level. Instances like this are commonplace in the production process. One of the most effective ways to realize the four modernizations is to explore the potential of the old enterprises and bring old equipment into full play, making it fit for socialist modern large-scale production by means of technological innovations and transformation. Practice attests that this is entirely possible. Take the Shanghai textile industry, for example. Right after liberation, we inherited from the capitalists the "Universal" brand of spindles, which were sluggish and nonproductive. Three successive technical innovations turned them into high-speed splitting spindles. Their speed increased from 718 RPM to 18,000 RPM, and productivity jumped from 18 kilograms per 1,000 spindle time to 46 kilograms per 1,000 spindle time. Average annual output per spindle reached 0.88 skein--about 55 percent higher than the world average of 0.5 - 0.6 skein. These transformed spindles are new in mechanical efficiency though they are still working on the old machine frame. Although they still bear the identification marks of the 1920's, they are no longer "antiques." Numerous other enterprises have modernized their equipment by semimechanization, complete mechanization, automation, or computer control. Many types of equipment have become "new in substance" though "old in appearance." This helps compensate for intangible wear and tear on the one hand, and it enables the equipment to serve though overage on the other. According to statistical data, about 15 percent of old equipment due for total depreciation is still "serving," though it is overage.

Another approach is transfer. A particular piece of equipment that is already outmoded in a state-operated enterprise may not be outmoded in a collective enterprise. It may be outmoded in the city but not necessarily outmoded in a village. It may not be outmoded in an interior town though it is outmoded in a coastal port. It may be outmoded in a mechanized modern enterprise, but not necessarily so in a semimechanized or manual plant. In a word, inasmuch as our productivity is low and our technology backward, the degree of backwardness of equipment is relative. Although there are international standards to evaluate equipment, we must not forget the level of our productive forces, and especially our tremendous labor force. A careful study of all these factors will show that serviceable old equipment, which would be eliminated by modernization, can still be fully utilized in a big but economically and technologically backward country like ours which has plenty of manpower resources.

The renewal and retirement of equipment should apply only to those "old oxen and rickety carts" no longer worth transforming.

In addition to the "intangible wear and tear," those comrades who favor "quick depreciation" have raised a practical point to support their claim. They say the existing low depreciation rate, which is responsible for the shortage of funds to finance industrial renewal, has slowed down the enterprises' progress in exploring hidden potential and launching technological innovations and

transformation. I am sure all enterprises face a shortage of funds for industrial renewal because they are anxious to contribute as much as possible to the four modernizations. This is a serious problem caused not so much by the low depreciation rate as by the lack of demarcation between industrial renewal and capital construction and by mismanagement of funds.

The statistical data of the metallurgical industry in Shanghai show that between 1970 and 1978 it accumulated depreciation funds of 467.15 million yuan, which cover only 71 percent of the funds spent for renewal. The depreciation funds alone, therefore, are not enough to cover all these needs. Of the total funds used for renewal, 60 percent were spent to acquire or build new equipment, 37.3 percent for technological innovation of existing equipment, and 12.7 percent to compensate for equipment scrapped (replaced). The fund used for technological innovations of existing equipment and that for replacements constitute 56.3 percent of the depreciation funds withheld. This explains that the shortage of renewal funds is due not so much to the low depreciation rate as to the diversion of renewal funds to capital construction and expanded reproduction.

Today it is a widespread practice among enterprises to use renewal funds for capital construction. According to a 1978 general survey of renewal practices conducted by the concerned sectors in Shanghai, there were 4,900 renewal projects in Shanghai that year, each involving an investment of 50,000 yuan or more. The total was 1.9 billion yuan, but a large portion went to capital construction projects. Moreover, there are too many channels in charge of the renewal funds. According to statistics, there are 35 different channels falling in five large categories. Each of these channels has the authority to allot funds and approve projects. The fund administration is a mess. The allocation of funds and supplies was so dislocated that there were no specified channels to provide materials required for renewal and innovations. As a result, two-thirds of the renewal and innovation projects have experienced difficulties getting their required supplies. In 1978, the Shanghai Construction Bank had 387 million yuan to invest in 1,298 renewal projects. Its financial report at the end of the year revealed that the amount actually invested was only 183 million yuan, while 53 percent of available funds still remained unspent. It is estimated that the amount likely to be spent in 1971 will not go over 50 percent of the funds ready for investment. This kind of imbalance is by no means uncommon. Some comrades compare the situation to people with rationed train tickets. Those who are in hurry to board the train did not receive their tickets, while those with tickets are not in a hurry to leave and yet are unwilling to give their tickets away. Finally, the train leaves with very few passengers--a shameful waste. To correct this anomaly, the existing system of financial and economic management responsible for dislocation of the allocation of funds and materials must be rectified. The purpose for which the depreciation funds may be used should be laid down in no uncertain terms, and a line of demarcation must be drawn between capital construction and renewal. Higher rates of depreciation are not enough to resolve all these complicated problems.

With economic conditions in our country the way they are, "quick depreciation" is unnecessary and impracticable. Even though the level of our national income is still quite low, an increase of 1 percent in the depreciation rate for both

ndustrial and agricultural fixed assets would increase the depreciation fund by several hundred million yuan. If we adopted "quick depreciation" and raised the depreciation rate by 5-10 percent, the depreciation fund would reach a staggering figure. Although the fund will be allocated for renewals, most of it will be spent for capital constructions and expanded reproduction. In the end this will cut back funds available for consumption, hike up the rate of accumulation, and disrupt even more the established ratios. If we were to commit the entire depreciation fund to renewals, it would be impossible under our current level of productivity to replace all depreciated fixed assets in 5-10 years.

The rate of depreciation is in direct proportion to production cost but inversely proportional to profit. Thus, a higher depreciation rate means higher production costs and less profit, plus a reduction in state revenue. The adoption of "quick depreciation" will cost the state tens of billions of yuan in lost revenue. In view of our current financial position, such a loss of revenue would seriously curtail appropriations for science, culture, education, health, government administration, and national defense, and would throw the national economy off balance.

It is clear that "quick depreciation," as practised by the capitalist countries of the West, is not practicable for our country.

A Useful Device

Beijing CAIZHENG [FINANCE] in Chinese No 6, Jun 80 p 27

[Article by Chen Bingliang [7115 4426 5328]: "Accelerated Depreciation Is a Good Idea!"

[Text] The reproduction of machinery, along with the advance of technology, is an important step in sustaining expanded social reproduction. To achieve the four modernizations, our country has to focus its attention on readjusting and consolidating existing enterprises, exploring their potential productivity, and continually raising their technological and management level.

The technological transformation of the national economy depends on whether the machine equipment of our existing enterprises will be reasonably renewed. Since the renewal of machinery and equipment must keep pace with the fast advance of today's science and technology, failure to provide funds for their renewal will obstruct technological progress. For many years we have been building new enterprises instead of transforming the old ones, most of which have remained technologically unchanged since their inception. This is a lesson to remember but not to be repeated. It seems to me that "accelerated depreciation: of the machinery and equipment of enterprises is bound to come.

First of all, we expect the equipment of our enterprises to last 10, 20, 30 years or even longer. If it were not renewed until it was completely worn-out, there would be a technological stagnation for 10, 20 or 30 years. That is against the objective law of the development of production.

Second, when a piece of machinery is due for renewal, is it necessary to reproduce the original both in structure and function without technological changes? That is not practicable. The renewal of machinery and equipment must keep pace with technological progress. As Marx said: "Most labor tools, due to industrial progress, are being innovated all the time. Instead of restoring the original, they are replaced by new models." ("Das Kapital," Vol 2, pp 190-191)

Third, as technology keeps advancing, the renewal of a piece of machinery should therefore not mean a duplication of the original. Yet we base its depreciation on a cycle of its natural wear and tear without considering its devaluation. This practice has not changed for years. As a result, there are contradictions between the depreciation fund that is withheld and the actual renewal of the equipment.

Today, many capitalist countries are accelerating the depreciation of their fixed assets. Their objective is to keep pace with technological progress and stay on top of technological competition in order to earn more profits. Although the capitalists, who are always after profits, often take advantage of higher depreciation rates to boost production costs as a device for evading taxation and hiding exploitation, accelerated depreciation is a scientific approach to keep pace with technological progress and provide adequate funds for the renewal of machinery and equipment. The proposal in favor of accelerated depreciation of the machinery and equipment of our enterprises is based on scientific considerations.

The following are my personal views on how to improve the method of withholding funds for the innovation and renewal of the machinery and equipment of our state-operated enterprises:

1. The number of years for depreciation, the periodic renewal of machinery and equipment, should be reduced, in keeping with the accelerated progress of technology. A period of 25 years as originally scheduled is no longer practicable. How much should the length of time be cut back? This depends on the pace of our own technological progress and on the international standards for renewal of machinery and equipment. Would 15 years be appropriate under existing conditions? Of course, the length of time for periodic renewal of machinery and equipment may be shortened again after a number of years.

2. The fund for the renewal of machinery and equipment should be turned over to the enterprises as a compensatory fund to help them run simple reproduction operations and renew their equipment. Any enterprise not targeted for shutdown, suspension, merger, or transfer should receive help to survive. It should maintain simple reproduction and achieve continuous technological progress. The only way to help an enterprise which has independent accounting and is responsible for its losses and gains is to let it keep its renewal fund and decide for itself the time, scope, and extent of renewal.

The renewal fund is withheld from year to year, but renewals do not occur annually. There is a difference in time between the withholding and spending

of the fund. The difference is especially noticeable between new and old enterprises. How can these contradictions be resolved: Some believe state control over the fund is meant to resolve them. Practice over the years tells us that state control of the renewal fund aggravates instead of eases the contradictions. The difficulties would disappear if the fund were spent solely to renew the machinery and equipment of the enterprises. But on the contrary, the fund thus amassed is often diverted to finance capital construction and cover state financial deficits. When an enterprise really needs it to renew its equipment, it is usually not available. Don't we have lots of cases like this? I think the depreciation fund withheld for enterprises should be regarded as "currency in reserve," pending its use for material replacements. The state treasury must not use it for financial disbursements. It should be left entirely with the enterprises, which may deposit it with a bank as a reserve fund to cover loans to any needy enterprise, so as to keep it in circulation. This offers the bank an opportunity to use this "currency in reserve" to promote reproduction.

In summary, our existing method of depreciating fixed assets calls for a thorough study and extensive reform. Otherwise, it is a "stumbling block" to our technological progress. The system of accelerated depreciation of machinery equipment will no doubt meet the needs of our socialist modernization, facilitate continuous renewal of machinery and equipment, and enhance the pace of technological progress.

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CSO: 4006

DOMESTIC TRADE

SYSTEM OF COMMODITY CIRCULATION IN SHANGHAI IMPROVED

Shanghai JIEFANG RIBAO in Chinese 23 Jul 80 p 1

[Article by staff correspondent: "Shanghai Municipal Bureau of Goods and Materials Breaks Record in Commodity Circulation"]

[Text] The Shanghai Municipal Bureau of Goods and Materials has accelerated the circulation of commodities by enlarging the channels and reducing the links of circulation. In the first half of this year, the bureau set a record in commodity circulation by shortening the period of stock turnover. The turnover period for the stock of metals has been reduced to 96 days--25 days less than the past record of 121 days. That for electric generator equipment has been reduced to 102 days--9 days less than the past record of 111 days.

The bureau is responsibile for the procurement, storage, distribution, and supply of important means of production. In the past, as most means of production were distributed according to plans, the consumers had to apply for required raw and other materials level by level, and to get the necessary approval from the authorities at each level. There were many links and only a few channels in the circulation of goods and materials. Consequently, large quantities of goods and materials were kept for long periods in stock in warehouses. For this reason, the bureau carried out a reform of circulation by tapping potential and accelerating the turnover of stocks. On the one hand, the bureau could avoid overstocking goods and materials and laying aside funds, while on the other hand it could market the goods and materials in good time and expand reproduction. Take only Shanghai, for example: with its stock of steel materials, Shangahi can save 2.2 million yuan in circulation funds by shortening the turnover period by 1 day; with its stock of electric generator equipment, Shanghai can save 7.54 million yuan in circulation funds by shortening the turnover period by 1 day. From these two items alone, this municipality can save nearly 10 million yuan in funds in 1 day. Calculated according to bank interest rates, this equals nearly 50,000 yuan of profits each day turned over to higher authorities.

In recent years and particularly last year, the Shanghai Municipal Bureau of Goods and Materials has carried out reform by grasping this link of circulation, tapped potentials from various quarters, and shortened the turnover period for commodity stocks. First, they [the bureau] opened up more channels of circulation. In the past, there was only a single channel of planned distribution for the supply of the means of production. At present, they are following a policy of integrating planned distribution with market regulation. This year they not only have continued to sell

various commodities on the open market for transactions of means of production, but they also have set up a new special market for metals. In more than 1 month after the inauguration of the special market, they have sold some 6,200 tons of metals at over 5 million yuan. Up to the present, the metals company under the bureau has sold more than 37,000 tons out of 38,000 tons of surplus metals which they procured from factories and enterprises 2 years ago and had long kept in stock. From this item alone, they could use over 10 million yuan in funds which have been laid aside for many years. At the same time, in the first half of this year they held two conferences to negotiate orders for the supply of electric generator equipment. They met with prospective buyers face to face at the meetings, and made transactions on the spot for various kinds of electric generators at 170 million yuan. As a result of their expanding the channel of market regulation, they are doing increasingly more business and are doing it in a more and more flexible manner. For instance, the sale of high-quality steel has never been large in the past, and the turnover of stocks in storage was very slow. However, according to statistics of this second quarter, the amount of planned supply and the amount of market supply each constituted about half the total amount of sales. In the first half of this year, the total amount of sales of various goods and materials surpassed the plan by 1.2 times. Next, they reduced the links of circulation of commodities. For goods and materials to be supplied according to plan, they have tried their best to simplify the procedure and reduce the links, and have changed the old practice of filling out applications level by level and of getting approval from the authorities at each level. Meanwhile, beginning this year, they have had an unlimited supply of goods and materials. In the supply of metals, since April they have offered unlimited supplies of three major categories of goods , including metalware and high-quality steel. For another 11 major categories of goods, they have offered unlimited supplies to certain units and recorded the sales by voucher, with the result that the amount of supplies has increased by 20.5 percent compared with the same period last year. In the supply of electric generator equipment, from the beginning of this year, expect for a few varieties of goods which require application for supply, they have offered unlimited supplies of all other varieties of goods, disregarding regional restrictions. During the first half of this year, the amount of equipment sold with unlimited supply constituted over 70 percent of the total amount of equipment sold. Consequently, the circulation of goods and materials has thus greatly accelerated. Thirdly, by increasing varieties and specifications of goods out of stock and reducing those long kept in stock, they have regulated and renovated the structure of commodity stocks in storage, so that all goods in stock are readily marketable and in demand, and the turnover of stocks has been accelerated. Furthermore, they have tried their best to keep in stock goods and materials that are fairly complete in variety and specifications, so that they can supply consumers with goods complete with accessories. In this way they can keep single articles and parts in stock and sell them in complete sets; thus, goods and materials come in and go out quickly, and the turnover of stocks is accelerated.

As they have done a great deal in the field of circulation of goods, in the first half of this year, from the acceleration of the turnover of the stock of metals alone they have saved 80 million yuan in funds and increased their profits by more than 3 million yuan.

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DOMESTIC TRADE

INDIVIDUAL ENTERPRISES THRIVING IN SHANGHAI

Shanghai JIEFANG RIBAO in Chinese 15 Jul 80 p 1

[Article: "Nearly 10,000 Industrial and Commercial Individual Enterprises Begin Doing Business in Shanghai"]

[Text] By the end of June, nearly 10,000 new and old individual enterprises of industry and commerce have started doing business in Shanghai Municipality. They are engaged in more than 100 lines of trade, such as setting up retail stalls at fixed spots, peddling in streets and alleys, and doing repair work, personal services, and handicraft processing. They are playing an active role in making up the shortage of commercial stores and service centers operated by the state and collectives, so that market supplies and personal services are more available for the convenience of the people in daily life.

Shanghai was once a city of great convenience for people in daily life. In 1955, the number of individual workers alone amounted to 20,000, including traveling service workers and streetstall keepers active in all kinds of business and services that the people wanted. At that time, the residents could buy things to eat and use in daily life without leaving their homes, and they could get their small articles repaired and mended immediately on the spot. The people were very pleased with such convenience. Later, after the socialist reform, most individual workers were organized into cooperative groups and cooperative stores, received fixed wages, and maintained a business schedule of 8 hours a day. Though this facilitated the overall planning and organization of networks of commerce and services, the proper arrangement of markets, and the rehabilitation of individual workers, the former features of service flexibility gradually disappeared and, in due course, there emerged such bad practices as leading an easy life with everything provided, not taking any initiative to promote business, and receiving customers in a stiff manner. During the 10 years of turmoil, the "gang of four" again slandered individual workers as the spontaneous influence of small producers, chopped them off as the "tail of capitalism," and used various restrictions to hasten their natural elimination. Thus the number of licensed individual workers in Shanghai diminished day by day, causing very great inconvenience in daily living for the people.

After the smashing of the "gang of four," the Shanghai municipal departments concerned decided to organize a contingent of workers to serve the residents in daily living, and to restore and develop individual enterprises of commerce and personal services. At the beginning of April this year, with the approval of the Shanghai Municipal People's Government, the Shanghai Municipal Bureau of Industrial and Commercial Administration resumed the work of registering and licensing individual enterprises

of industry and commerce in the city. Furthermore, it encouraged idle persons and educated young people waiting for employment, such as persons with professional skills and working ability who were registered residents of Shanghai and not employed, to undertake the work of individual business in trades and services. It was also stipulated that those young people who are allowed to undertake individual business may still apply for examination as candidates to join military service, to futher studies in college or to get employment, when such opportunities arise and if they have the necessary qualifications. By the end of June, more than 1,500 new individual enterprises were set up in the city, among which many are [run by] educated young people waiting for employment. At present there are nearly 10,000 individual enterprises, including the old ones set up in the past.

At present, the individual businessmen working busily in the streets of Shanghai are engaged mainly in the work of repairing furniture, repairing wooden bedframes, repairing bicycles, making spare keys, sewing and cutting clothes, and masonry and carpentry. Next, a few people have food and drink catering businesses and are peddling farm subsidiary produce at trade fairs, including aquatic products, vegetables, fruits, and other perishable goods. Many newly licensed young unemployed individual businessmen are engaged in the trades of repairing bicycles, cutting and sewing clothes, and repairing clocks and watches. As they are skillful and serve customers well, the people are pleased with them. All lines of trade give support to the development of individual enterprises. In the last quarter of last year, after the readjustment of prices of some subsidiary foodstuffs, the municipal departments concerned reduced the tax burden for licensed individual businessmen, increased their source of supply of goods, and enabled them to receive more income. For instance, the Shanghai Municipal Tobacco and Candy Company, after investigating 1,679 small merchants peddling cigaretts and candy, increased the supply of goods for those earning less than 50 yuan a month, with the result that all these peddlers now earn a better income. At present, the income of many individual businessmen has reached the same level as that of the staff members and workers of state-run and collective enterprises, and in some cases the former is even higher than the latter.

9039
CSO: 4006

DOMESTIC TRADE

URBAN RURAL FAIR TRADING BRISK IN GUANGDONG

Guangzhou NANFANG RIBAO in Chinese 3 Aug 80 p 1

[Article: "Business Is Brisk at Urban and Rural Trade Fairs in Guangdong Province"]

[Text] This year in our province according to reports in GUANGDONG NONGMIN BAO [GUANGDONG PEASANT NEWS], business is increasingly brisk at urban and rural trade fairs, the volume of transactions in terms of cash has expanded continuously, more varieties and greater quantities of goods are offered on the market, their prices have been stable or have dropped slightly, and the difference between the official and the market price has gradually narrowed.

In the first half of this year, this province's volume of urban and rural fair trade in terms of cash amounted to 1,139,370,000 yuan, an increase of 19.97 percent as compared with the same period of last year. Guangzhou increased 87.29 percent and Shaoguan Municipality by 61.16 percent. The total amount of sales of the province's urban and rural trade fairs (converted into official prices) was equal to 11.18 percent of the total retail sales of daily commodities in the whole province. Both variety and the quantity of goods offered for sale increased in comparison with the same period last year. For instance, in Chao'an County there were 138 varieties of goods on the market in the first half of this year--13 more varieties as compared with the same period of last year. In the same county, the total amount of peanuts sold in the first half of this year was double that of the same period of last year, and that of edible oils was more than triple. At the 26 trade fairs held throughout the province the first half of this year, the total sale of rice was 5.92 million jin, an increase of 81.92 percent over that of the same period last year; that of aquatic products was 3.85 million jin, an increase of 58.17 percent; and that of pork was 5.15 million jin, an increase of 52.18 percent. Vegetables increased 40.12 percent, three fowls 13.86 percent, and edible oils 38.86 percent. In the first half of this year, the general level of prices at all 26 trade fairs dropped by 7.1 percent from the level of the same period last year. The selling price for rice, edible oils, pork and beef, vegetables, and piglets dropped, while that for three fowls and fresh fish went up. The general difference between the official and market prices narrowed by 6 percent in the first half of this year as compared with the end of last year.

The principal reason for the prosperity and activity of urban and rural fair trade in our province is that all localities have thoroughly criticized the ultraleft line, aroused the enthusiasm of the peasants for production, increased the quantities of daily commodities, abolished various restrictions, restored and opened all rural trade markets, and allowed the peasants, with one's individual labor, to engage in activities of transporting perishable goods and third category farm and sideline products for

sale. Collective commercial enterprises and licensed merchants are allowed to purchase farm and sideline products from rural areas. Those urban residents who can work but are idle or unemployed also have permission to carry small quantities of farm and sideline products for sale. Market control departments everywhere have continuously improved their services and have provided the masses with facilities for proper transactions. Some of them even undertake the work of acting as agents for selling and buying, receiving payments for goods, and transporting commodities. They also provide facilities for trading and they accelerate the circulation of commodities.

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China Report

ECONOMIC AFFAIRS

No. 97

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14 November 1980

CHINA REPORT

ECONOMIC AFFAIRS

No. 97

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ECONOMIC STRUCTURE, ENERGY RESOURCES SHOULD BE MATCHED

Chengdu SHEHUI KEXUE YANJIU [SOCIAL SCIENCES RESEARCH] in Chinese No 4, 15 Jul 80 pp 52-56

[Article by Zhang Siping [1728 1835 1627]: "The Relationship Between Energy Consumption and the National Economic Structure"]

[Text] Energy resources pose a problem which merits serious consideration in our national economy today. With the continued progress in both industrial and agricultural production and the steady rise in the people's living standards in this country, the contradiction between supply and demand of energy is becoming sharper and sharper each day. It is therefore imperative to find as soon as possible the correct way and method of rationally solving the problems related to energy resources.

How should we solve the energy problem? I think, on the one hand, "exploitation and control" of energy resources must be aggressively carried out to solve the problem of adapting energy resources to the national economic growth. On the other hand, there is the adaptation of national economic growth to the exploitation and utilization of energy resources, or the problem of how to establish a rational economic structure; in other words, how the proportion of the various components of the national economy should be adjusted according to the present status of our energy resources. In this article these matters will be discussed, with an emphasis on the relationship between energy resources and adjustment of the national economic structure.

I.

To solve the energy resource problems of this country, be it for the present or for the long range, we must emphasize accelerating the exploitation and construction of the energy resource industry, increasing new production capability, expanding utilization of energy resources, and stressing reducing consumption and taking measures to save energy. "Exploitation and control" are no doubt important ways leading toward a solution of the energy problem. However, we must also understand that "exploitation and control" must be regulated by the entire national economic growth as well as the scientific and technological level. Discussion of "exploitation and control" detached from the social economic and technological conditions is impractical.

As to "exploitation," the energy consumption growth rate (i.e., the average growth rate of energy consumption divided by the average growth rate of total industrial and agricultural production) in this country is far greater than that in most industrially developed countries. A preliminary estimate indicated that in order to maintain a national economic growth rate of 6-8 percent, an increase in energy consumption equivalent to 70 million tons of raw coal per year would be required. At present, the national economy is being overhauled in this country. Various economic enterprises are rising from the ruins. Regardless of how the nation gives its first priority to the exploitation of energy resources, investment in exploitation of energy resources cannot be increased as significantly as desired on account of our small resource. Moreover, the disorder within the energy resource industry itself needs to be straightened out first. New construction usually requires a larger sum of investment and takes a long period of time. If we were to start construction now, the units would not be able to produce before 1985, and it would be even later before they would be able to demonstrate their full capacity. Moreover, activities related to research and application of energy resources were put on the agenda only recently, so "exploitation" of energy resources in terms of scale and rate during the 1980's will be small and low. Obviously, the short-range energy resource problems of this nation cannot be solved by "exploitation" alone.

As for "control," the utilization rate of energy resources in this country today is very low, with serious waste and a great potential for saving energy. Activities related to energy-saving measures carried out in the past have shown significant results, and efforts to save energy must be continuously pursued in the future. We must understand, however, that past achievements in saving energy were achieved through strengthening enterprise management and through small reforms in technology and equipment. According to what experiences here as well as abroad have revealed, the energy thus saved amounts to approximately 20-30 percent of the total energy savings that can be achieved. A larger energy saving can be achieved only through greater reforms of technology, equipment, and material and through a raising of scientific and technological standards. These reforms and this raising require a large volume of financial and material power and a considerably longer period of time from research to application. Therefore, with the passage of time, and as we get deeper into energy-saving work, the potential for saving energy will grow bigger and the degree of difficulty in accomplishing the task will also become bigger. The equipment and technological processes employed by our industry and transportation enterprises today are quite backward. Renewal and remodeling of various items of equipment have been very slow for many years. Take the steel industry, for example. Steel refining using open-hearth furnaces consumes from five to eight times more energy than steel refining using revolving furnaces. The use of revolving furnaces has thus increased significantly in every major steel-producing country. Steel-refining technology using open-hearth furnaces was phased out completely in Japan in 1977. In our country, steel refining using open-hearth furnaces still occupies approximately 40 percent of total steel production. At the same time, a series of new technologies and techniques--including, for example, dry-smoldered coke, spherical ore, continuous ingot-casting, direct hot rolling, and

utilization of waste heat from the steel industry--are being popularized abroad today in order to save energy. The steel industry of this country today uses practically the same old technology and equipment of the 1940's and 1950's. It is evident that with this country's present technological standards, the amount of energy that can be saved by strengthening enterprise management alone is very limited. While reforms of technology and equipment must be supported by national investment, reforms will be restricted by such factors as manufacture of mechanical equipment as well as technical and technological research activities. These matters cannot be accomplished in a single day. Therefore, no matter how important the control of energy resources may be, we must be honest and practical in estimating the potential energy-saving power of this country. We must not simply charge the responsibility of solving energy resource problems to the activities related to energy-saving measures alone.

Now then, how do we solve the energy resource problems of this country? I think that, while we are trying "exploitation and control," we must also consider readjustment of the economic structure as one of the strategic measures.

An energy resource industry is an industry which supplies the national economy with fuel, power and raw materials. The great majority of its products are usually not consumed as end-products. As such, the number of products produced by the energy resource industry and the utilization rate of energy resources alone cannot directly and completely reveal the terminal effects and benefits of energy resources on the national economy. From basic socialist economic laws, how well the problems of energy resources have been solved should be measures not only by the number of products and the utilization rate of energy but also, more importantly, by whether there has been produced a maximum amount of end-products, in line with the demands made by the people's lives, while consuming a minimum amount of energy resources; in other words, producing more terminal products from the same amount of energy resources. To be able to do this, it becomes a question not only of the quantity of energy resources and the energy resource utilization rate, but also of the national economic structure.

The relationship between the national economic structure and energy resource consumption is very close and intimate. It is one of the decisive factors determining the energy resource growth rate of a nation or an area. The national economy is an integral body consisting of many parts. The consumption of energy and the effect of energy usage of each part are different from those of each other part. Some parts may consume little energy while producing larger quantities of a larger number of end-products with good profit, while others may do just the reverse. The total production and the number of end-products of a country are determined not only by the amount of energy consumed and by the energy utilization rate, but also by the composition of various parts in the national economy and the distribution of energy resources among these component parts; in other words, by the national economic structure. From the same amount of energy resources and energy utilization rate, a different economic effect or a different quantity of end-products will be obtained from a different national economic structure and from the different way in which energy resources are distributed among the components.

The largest energy consumer in the entire national economy is industry, and the chemical industry is among the top heavy energy consumers. For example, such industries as colored metal, ferrous alloy and synthetic ammonia consume more than 3 tons of fuel per ton of product, while light and textile industries and various machinery manufacturing industries consume less than 1 ton of fuel per ton of product. If industry occupies a large proportion of the national economy, and especially if the proportion of energy-intensive industries is large and these industries are expanding rapidly, then the quantity of end-products produced from a given amount of energy resource will be small. Conversely, if those industries which consume a relatively small amount of energy and produce a large number of products with high profit are expanded aggressively, a larger number of end-products can be produced from the same amount of energy resource. At present, light and textile industries in this country are weak and there is a shortage of daily necessities. To solve energy resource problems according to basic socialist economic laws, when there is a shortage of energy resources we must readjust our national economic structure, especially the internal structure of industry. We must emphasize the development of such industries as light and textile industries, which consume less energy and produce more with larger profit as important guidelines for national economic growth.

II.

Ever since liberation the energy resource industry of this country has experienced rapid progress. The energy resource production standards of this country today have reached a certain level. Electrical energy production occupies the seventh position in the world; coal production, third place; and petroleum production, eighth place. The total energy resource consumption of this country in 1978 was equivalent to 570 million tons of standard coal, which put it in third place in the world, behind only the United States and the Soviet Union. However, we were still experiencing shortages of fuels and power, and sustained growth of the national economy was severely affected. To be sure, the imbalance between supply and demand and the low rate of energy resource utilization were important causes leading to these conditions, but the irrational structure of our national economy was also to blame.

To explain this problem further, let us take a look at the difference in the effects and benefits produced by various components of the national economy as a result of energy resource utilization. In 1978, for example, from every unit of electrical energy used in heavy industry, a product valued at only 1.73 yuan was produced (0.78 yuan in case of the metallurgical industry), while a product valued at 5.44 yuan was produced by light industry, and 6.12 yuan from the textile industry. In the first half of 1979 in Shanghai, from every unit of electrical energy used in the production of pig iron, a product valued at only 1.65 yuan was produced, while the value was 0.18 yuan for caustic soda, 0.25 yuan for synthetic ammonia, 10.45 yuan for bicycles, 4.93 yuan for cotton cloth and 2.69 yuan for cotton yarn.

It is evident from these figures that there exists a considerably large difference in the effects and benefits obtainable from the same amount of

energy when it is consumed by various types of industries to produce various types of products. In the beginning, when we attempted to develop heavy industry properly, we should have taken into consideration the large population of this country and its weak industrial background, together with the different effects and benefits obtainable by different industries from the same amount of energy resources, and we should have put more emphasis on the development of light and textile industries in order to provide more and more end-products for the people and to satisfy the ever-increasing demands created by the people's rising living standards. However, ever since "2-5" [the Second Five-Year Plan], the guidelines of our economic work have onesidedly emphasized "steel as the principle" and thus developed heavy industry, which is highly energy-intensive, disproportionately yielding a small quantity of products. The national economic structure has tilted heavily in favor of heavy industries, focusing on steel and iron, and the development of light and textile industries have slowed down. The proportion of investment in various components of industry between 1952 and 1977 was as follows: metallurgical industry, 11.6 percent; chemical industry, 6.3 percent; textile industry, only 2.5 percent, and light industry, only 2.8 percent of total national economic investment.

As a result of the change in investment distribution, a significant change in the proportion of heavy and light industry products was also created. Heavy industrial production increased from 26.4 percent of total industrial production in 1949 to 56.9 percent in 1978, while light industrial production dropped from 73.6 percent in 1949 to 43.1 percent in 1978. Metallurgical industrial production increased from 5.9 percent in 1952 to 12.4 percent in 1978, while textile industrial production decreased from 27.5 percent in 1952 to 12.8 percent in 1978.

This kind of change in our national economic structure over the past 30 years has increased the proportion of heavy industries which are energy-intensive and produce less and has decreased the proportion of light and textile industries which consume less and produce more. This irrational economic structure has also determined the proportion of energy distribution over various components of the industry. Take electricity as an example. The per unit electricity production of light industry was found to be 3.2 times that of heavy industry, and that of textile industry was 7 times that of the metallurgical industry. The electric energy consumption of heavy industry was 53.7 percent of the total electric energy consumption of the national economy; the metallurgical industry, 17 percent; and light industry, only 12.8 percent. During the period from 1949 to 1978, industrial electric energy consumption increased 68.5-fold: heavy industrial consumption increased 111.5-fold; the metallurgical industry, 191.4-fold; the chemical industry, 239-fold; while the increase was only 25.8-fold for light industry. Total industrial production per 10,000 tons of standard coal was 7.68 million yuan during the "1-5" period, 5.69 million yuan during the "2-5" period, 7.39 million yuan during the "3-5" period and then it dropped to 6.93 million yuan during the "4-5" period. According to the different industrial components, the energy consumed by the metallurgical industry in 1978 occupied 16 percent of the total national energy consumption, its electrical energy consumption

was 17 percent of the national economic consumption, while its production occupied only 8.8 percent of the total industrial production. Chemical industry's electric energy consumption was 17.3 percent of the national economic consumption, but its production was only 12.5 percent of the total industrial production. I must call your attention to the fact that the metallurgical and chemical industrial energy consumption figures referred to above were calculated by using the direct consumption coefficient. If we calculate them by using the complete consumption coefficient (direct and indirect consumption), then the number will be much larger.

We must also recognize the grave consequences to the national economy of the irrational distribution of energy resources as determined by the economic structure. For example, electrical energy consumption of this country in the first half of 1979 increased 13.8 percent over that of the same period in 1978, while the increase in production was only 4.1 percent. In addition to the fact that energy consumption per unit of some major products has increased, an analysis of the economic structure indicates a faster growth in heavy industry than in light industry during the first half of 1979. Compared with the same period of 1978, light industry has shown a growth of only 1.5 percent. The five industries including steel, colored metal, chemical, building materials, and petroleum consumed 7.56 billion more units of electrical energy in [the first half of] 1979 than during the same period of 1978. If this amount of electrical energy had been used in the light and textile industries, an extra quantity of production valued at 13.57 billion yuan could have been produced, and the industrial growth rate in the first half of 1979 would have been raised from 4.1 percent to 10.6 percent.

The effects and benefits of energy resource consumption on the national economy have an intimate relationship with the technical structure as well as with the economic organizational structure. Generally speaking, medium to small enterprises consume much more energy per unit of production than do large enterprises. Technically backward industries consume more energy than technically advanced industries. "Big and complete" and "small and complete" industries consume more energy than specialized industries and joint enterprises. Take the "five small" industries, for example. The average fuel consumption per ton of steel by the local small steel plants in 1978 was 2.5 to 3 tons, while consumption by the key steel plants was only 1.4 tons. Small nitrogen fertilizer plants consumed 3.23 tons of coal and 1,774 units of electric energy, which were 124 percent and 16 percent greater, respectively, than those of medium and large enterprises. The present state of our enterprise structure is characterized by more medium and small enterprises, more "big and complete" and "small and complete" enterprises, and more technologically backward enterprises. This kind of enterprise structure can only gravely affect the effects and benefits of energy resources on our national economy.

It is evident that in order to fundamentally solve our energy resource problems and increase the effects and benefits of energy resources on our national economy, we must reorganize our national economic structure step-by-step at the same time as we implement "exploitation and control." Based on the characteristics of the energy resource level and energy production level of this country, we must more aggressively expand the light and textile industries, which consume less energy, and reduce accordingly the growth rate of heavy

industry and the production of those products which are highly energy-intensive, so that more end-products which meet demands may be produced from less consumption of energy resources. If the present irrational energy structure were to be maintained, heavy industry would become heavier and light industry lighter, and a satisfactory and rational solution to our energy resource problem could never be worked out, even if we were able to achieve a significant increase in the production of energy resources and raise the energy utilization rate, because of the irrational economic structure and the consequent irrational energy resource distribution pattern.

III.

It is clear from the above analysis that in order to solve the energy resource problems of this country and reap the maximum national economic effects and benefits from our energy resources, we must pay close attention to the mutual compatability between exploitation and utilization of energy resources and the national economic structure. On the one hand, we must emphasize "exploitation and control" of energy resources in order to satisfy the needs created by the people's ever-increasing living standards and the rapidly growing national economy. On the other hand, we must construct step-by-step a rational national economic structure which will be appropriate for our present energy resource status. These two must correspond with each other and expand proportionately, so that more and better end-products can be produced under given conditions of energy resource production and development.

To be sure, reorganization of the national economic structure, as with "exploitation and control," has its own problems and difficulties, and a certain definite process must be followed. Furthermore, from another viewpoint, this involves larger areas, is more complex, and if not done well will bring a greater loss to the national economy. For many years we paid more attention to investment for the exploitation of energy resources and strived for a corresponding growth in energy resource production paralleling national economic growth. We paid little attention to our energy resource structure during the process of shaping and developing our national economic structure. We have not tried to match our national economic structure with the current energy resource situation. We have only blindly constructed a large number of energy-intensive heavy and chemical industries. As a result, quite a few newly constructed enterprises could not begin production or could not fully demonstrate their production capacity because of the shortage of energy resources, and thus they incurred large losses. What needs to be emphasized is the fact that the national economic structure must be compatible not only with the quantity of energy resources but also with the internal structure of energy resources. The major energy resource product of this country is coal, making up 70 percent or so of the total energy resource product today. This feature must be taken into consideration when we select raw materials and fuel supplies. In the past, we neglected this fact when we remodeled or expanded a number of oil-burning electric power generation stations and chemical industries, using petroleum and natural gas as the raw materials. As a result, coal chemical industries have not had a chance to develop sufficiently. A situation was created in which, owing to the shortage of oil and gas, many industries were unable to display fully their production capacity. Some were even forced to remodel their furnaces from oil-burning back to coal-burning, thus wasting a large quantity of manpower, materials and finances.

Based on the characteristics of this nation, the present status of its economic structure, and the projected trend of the future "exploitation and control" of energy resources, we consider that, with respect to the entire national economy, the national economic structure must match the energy resource status, and the proportion between industry and agriculture and the proportion between heavy and light-textile industries must be readjusted step-by-step. Development and construction of energy-intensive heavy and chemical industries must be reduced properly, while development and construction of light and textile industries must be increased. Development of "labor-intensive" and "knowledge-intensive" industries (such as electronics, computers, precision machinery, and traditional handicrafts) should be accelerated, thus readjusting the technical structure as well as the economic organizational structure step-by-step.

Readjustment of the economic structure is an extremely complex problem which involves the entire national economy. It requires a unified leadership and unified planning carried out at the national level. The nation must take into consideration various factors and strive to achieve an overall balance. Given an energy production level and an energy utilization rate, the growth rate of the various parts must be determined and the distribution of energy resources must be determined accordingly, in order to draft an optimum plan that will maximize the national economic effects and benefits from consumption of a given amount of energy resources. A national plan will then be passed down to lead and reshape the national economic structure to be compatible with the energy resource status. At the same time, we must also introduce various economic policies and measures, including economic legislation, utilization prices, taxes and credit loans, in order to change our national economic structure step-by-step.

It must be pointed out that the problem concerning the two aspects that must correspond to one another as discussed above, exists likewise within the economy of each area.

This country has an enormous land area, so that there are a great variety and variations of natural resources, natural economic conditions, and original industrial backgrounds in different areas. Each area has its most suitable type of industry and product, and likewise its least suitable or outright unsuitable type of industry and product. According to Marx' principle concerning division of labor and cooperation of labor districts, each area must strive to develop its "strong points" according to its local conditions and avoid its "weak points," thus establishing its own unique economic structure. Energy resources are one of the most important natural resources and constitute an important material that is indispensable to many modern production processes. The distribution of natural resources of this country is highly uneven, and long-distance transportation is not very convenient. In order to match the local economic structure with the local energy source conditions, in areas where energy resources are abundant this "strong point" must be fully exploited by the aggressive development of energy-intensive heavy and chemical industries. In areas where energy resources are scarce, this "weak point" must be avoided by not developing energy-intensive industries but instead developing unique energy-saving industries. Only after each area has established its own unique industrial structure, emphasizing its own

"strong points" according to its local energy resource situation, will it be possible to establish on this foundation a rational national economic structure compatible with our national energy resource characteristics.

In the past we did not pay much attention to energy resource conditions in shaping the local economic structure of an area. In nine southern provinces where energy resources are poor, large investment sums were blindly poured into the development of energy resources, with very disappointing results. At the same time, construction of energy-intensive industries was forcefully carried out, creating such passive situations as an energy shortage and a shortage of transportation, thus stifling local economic growth. On the other hand, we were also guilty of not taking advantage of the "strong points" of certain areas characterized by an abundance of energy resources, and of failing to build a local economic structure to match abundant energy resources. For example, Shanxi is the top coal-producing province in this country, with superior conditions for the development of a coal industry. This area is also rich in copper, lead and iron ore, together with nonmetal mines such as gypsum, saltpeter, and lime. In the past, construction did not pay careful attention to Shanxi's "strong points" during the course of establishing its local economic structure compatible with its energy resource situation. Not only has Shanxi not been developed into one of the strong energy resource bases of this country, but such energy-intensive industries as electric power, metallurgy, chemical and building materials have not been developed around the rich coal mines. Shanxi's "strong points" have not been exploited fully.

It is understandable from these observations that the best economic effects will be obtained if each area established its own unique economic structure by capitalizing on its local strong features and strives to develop a socialist commodity economy. Energy-poor regions should develop superior energy-saving light and textile industries and other processing industries, and exchange their products for the steel, coal and basic chemical products produced in energy-rich regions. Thus, under a unified national leadership, each area may fully demonstrate its strong points and the nation may reap the maximum economic benefits.

Readjusting and changing our national economic structure in such a way as to match the energy resource situation is not only necessary and possible but also has shown definite results. According to the eight-character guidelines for "readjustment, restructuring, consolidation and improvement," published in 1979, as efforts related to saving energy have been aggressively pursued, the guidelines concerning the development of light and textile industries as the first priority have been carried out at the same time. Under the conditions of an energy shortage, the energy needs of the light and textile industries have been guaranteed. As a result, light industry has grown 9.6 percent, while heavy industry has increased 7.7 percent. Thus, the growth rate for light industry has surpassed that for heavy industry, with an increase in total energy consumption of only 3 percent and an increase in total industrial production of 8.5 percent. As long as we maintain the correct guidelines in the future, promoting "exploitation and control" to meet the demands created by the rapidly growing national economy on the one hand, and paying attention to adjusting the economic structure so that the national economic structure will correspond with the potential level of energy source exploitation and utilization on the other hand, we will be able properly to solve our energy resource problems in conjunction with the construction of the four modernizations.

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ECONOMIC JOURNAL DISCUSSES 'ABSTRACT LABOR'

HK271316 Beijing JINGJI YANJIU in Chinese No 9, 20 Sep 80 pp 3-8

[Article by Peng Dixian [1756 6611 03411] of the People's Government of Sichuan: "Karl Marx on Abstract Labor"]

[Text] The dual character of the labor embodied in commodities is a major problem in the history of economic theory. The bourgeois economists before Marx had never resolved this problem. "The classical school of political economics has never expressly and with full consciousness distinguished between labor as it appears in the value of a product and the same labor as it appears in the use value of that product." (Marx: "Das Kapital," vol 1, The People's Press 1975 edition, p 97, footnote 31.) They found themselves in a difficult position in the theory of labor value. The English classical economist, Adam Smith, left aside various concrete forms of labor and proclaimed that "labor was generally" the sole source that created society's material wealth. In the area of labor value theory he had advanced one step forward compared with the bourgeois economists before him. However, he incorrectly maintained that the labor which created the use value of commodities was the same as or identical to the labor which created the value of commodities. He did not distinguish abstract labor from concrete labor. On one hand, he "confused the determination of value by means of the quantity of labor expended in the production of commodities, with the determination of the value of the commodities by means of the value of labor...On the other hand his concept that labor so far as it manifested itself in the value of commodities counted only as expenditure of labor power, but he treated this expenditure as the mere sacrifice of rest, freedom and happiness, not as the normal activity of human beings too." (Ibid, p 60, footnote 16.) Therefore, the implications of the "general labor" that he put forward were not equivalent to abstract labor and his labor value theory was far from developed. The English classicial economist, David Ricardo, advanced one step further than Adam Smith. He realized the distinction between the use value and value of commodities. He summarized value as the labor time and always adhered to the theory that labor determined value. However, because of the limitations of his own bourgeois class status and his metaphysical methodology, he regarded the capitalist mode of production as an eternal and invariable social foundation and did not examine objective economic processes from the viewpoint of the movement of contradictions, from the viewpoint of development and from the historical viewpoint. Consequently he could not understand that the labor which produced value was a special historical category. He "had not the least idea that when

the difference between various kinds of labor is treated as purely quantitative, their qualitative unity or equality, and therefore their reduction to abstract human labor, is implied." (Ibid, p 97, footnote 31.) Therefore, he could not expose the dual character of the labor that produces commodities. Although on one hand he thought that tho socially necessary labor time determined the value of commodities, on the other hand he took the creation of value as an inherent attribute of labor. Thus, he inevitably came to the wrong conclusion that all labor in society, and even the labor of an isolated producer living as Robinson Crusoe did on an uninhabited island, could produce value. Therefore, his theory of labor value was not thorough. Marx critically inherited the English classical political economy and founded the theory of the dual character of labor in the production of commodities. "Marx analyzed labor as to its capacity for producing value, and he was the first to ascertain /what kind of/ [passages within slant-lines printed in boldface] kind." (Engels: "Preface" to "Das Kapital," vol 2, p 22.) Marx's theory on the dual character of labor started a great revolution in political economics. It correctly explains both the form and the substance of value and enables the theory of labor value to be established on a scientific foundation. Hence it scientifically explains the theory of surplus value and solved a series of problems in political economics. Therefore, Marx's theory on the dual character of labor was a creative development in his theory of labor value. It is "the key to understanding political economics." (Marx: "Das Kapital," vol 1, p 55.) Moreover, Marx revealed the general laws of the commodity exactly on the basis of this scientific theory of labor value, and the commodity economy still exists in the socialist economy. Therefore, it is not only of great theoretical significance, but also of definite practical significance to understand correctly and study indepth this great theory of Marx, in particular the problems about abstract labor in this theory.

I

The theory of the dual character of labor was put forward by Marx in Chapter 1 of Part 1 of "Das Kapital," volume 1.

Marx profoundly revealed that the dual character of commodities originates in the dual character of labor embodied in them. He argued that abstract labor and not some other kind of labor produces value. He said: "On one hand all labor is, speaking physiologically, an expenditure of human labor power, and in its character of identical or abstract human labor, it creates and forms the value of commodities. On the other hand, all labor is the expenditure of human labor power in a special form and with a definite aim, and in its character of concrete useful labor, it produces use value." (Ibid, p 60.) Because abstract labor is the identical human labor which forms value and it is the substance of value, and because value reflects certain production relations, therefore, abstract labor is not just the expenditure of human labor power in the physiological sense. In other words, abstract labor does not simply mean the use of man's brain, muscles, nerves and sensory organs in the physiological sense, but is the social and historical form of such usage. [HK271318] Thus, it can be seen that first, abstract labor is a category of the relations of social production and not simply a category in the physiological sense, and second, it is a category peculiar to commodity economy and is a historical category; it is not an eternal category common to all social economic systems.

II

The implications of abstract labor have been described above. However, some comrades may think first that because abstract labor is the expenditure of human labor power in the physiological sense, therefore it is an eternal category. Therefore, they think that the dual character of labor is the common characteristic of all labor in history that creates the products of labor.

We think that this view is unfounded. In "Das Kapital" Marx clearly said that concrete labor and abstract labor are the dual character of labor embodied in commodities, and not the alleged dual character of labor embodied in general products of labor which are not commodities. He clearly said that abstract labor is that which produces the value of commodities and is the substance of value. As value reflects the relations of commodity production, so does abstract labor reflect such relations. As value is a product of the commodity economy, so is abstract labor. We all know that social division of labor and private ownership are the prerequisities of the commodity economy as well as the source of the contradiction between private labor and social labor. Labor must belong to society and social division of labor must signify the social links among the producers and signify that each producer works for the others. However, the private ownership of the means of production and the products of labor separates people into independent producers and turns the labor of the commodity producers into private labor. Thus, private labor cannot be directly manifested as social labor and can only be indirectly manifested as social labor through commodity exchange and by taking the form of abstract labor. Marx said: "Directly speaking, commodities are the products of the private labor of individuals who are isolated and mutually independent. Such private labor must be proved to be general social labor through transfer in the process of private exchange. In other words, the labor based on the production of commodities can become social labor only through the complete transfer of individual labor." ("Collected Works of Marx," "A Critique of Political Economies," vol 13, p 75.) He also said: "Scattered individual labor is the prerequisite of the labor embodied in exchange value. Such individual labor can become social labor only through taking a form directly contradictory to itself, namely, the abstract and general form." (Ibid, p 22.) Therefore, though under any social conditions labor is the expenditure of general human labor power in the physiological sense, yet only under the conditions of commodity exchange does it adopt the form of abstract labor which forms commodity value, and therefore only the labor that produces commodities can display the dual character of concrete labor and abstract labor.

When discussing the thesis that abstract labor is a category peculiar to the commodity economy, Marx also said that the concrete labor that produces a product of labor or a kind of use value is "a purposeful activity to take possession of natural objects in some particular form. It is the natural condition for man's existence. It is a condition of the material exchange between man and nature independent of all social forms. On the contrary, the labor that produces exchange value is a special social form of labor." (Ibid, p 25.) He also said: "The analysis of exchange value reveals that the condition for the labor which produces exchange value is the social stipulations on labor, or, the stipulations on social labor. However, what we call society here is not the general meaning

of the word, but a special meaning. It is a special social attribute. First, the simplicity of labor marked by no differentiation differs from the identical nature of individual labor. Such simplicity is the interrelationship between the individual's labor in its nature as identical labor. Of course, actually all labor is transformed into labor of the same kind. If only it can be manifested as exchange value, every man's labor acquires this social attribute of being identical. Moreover, one's labor can be manifested as exchange value only if it enters into a relationship with other individuals' labor, in its nature as identical labor." (Ibid, p 20.) Here Marx clearly said that the labor which produces a product of labor or a kind of use value "is independent of all social forms," and that "on the contrary, the labor that produces exchange value is a special social form of labor." Marx also gave an example: "Take for example the labor of tailoring. Taken as the material stipulation of a special productive activity, it produces clothes, but does not produce the exchange value of clothes. When it produces the latter, it appears as abstract general labor; such labor is part of a kind of social relations, which are not the product of tailoring." (Ibid, p 25.) Thus, Marx clearly proved that abstract labor is a special historical category which reflects the social nature of labor under the conditions of a commodity economy. Marxist classical writers did not take the dual character of labor as a characteristic common to all labor in history that creates products of labor.

Second, some comrades draw the conclusion that abstract labor is a category common to all social systems because of the following fact: Even in a noncommodity economy, people are still concerned about comparing the quantities of labor and they do carry out such comparison in practice; but such comparison can be effected only by means of abstract labor, not concrete labor.

[HK271320] This argument is also incorrect, because it confuses the category of "general labor" with the category of "abstract labor." These two categories differ in principle. We know that labor is a process whereby people create use value through their own purposeful activities. Marx said: During the process of labor, "man as a natural force himself is opposite to the material in nature. To possess natural materials in a form useful to his own living, man uses his natural power--exercising his arms, legs, brain and hands." (Marx: "Das Kapital," vol 1, p 202.) Therefore, whatever the social economic system or specific form of labor, man's labor is invariably the use of his brain, muscles, nerves and sensory organs. This expenditure of human labor power in the physiological sense is general labor. Such labor is the common content of people's labor in all social systems. If different kinds of concrete labor exist in human society, general labor will exist as an economic reality. When such objectively existing general labor is reflected in people's thoughts, people will, by abstraction, arrive at the category of general labor from many different kinds of concrete labor. Therefore, Marx said: "Labor seems to be a very simple category. The idea of labor in its general nature--as labor in general--is also ancient." ("Collected Works of Marx," "Introduction to 'A Critique of Political Economics,'" vol 12, p 753.) Therefore, general labor also exists in a noncommodity economy. For example, in a clan community in a primitive society, to a certain extent and within a certain scope, people adopted the category of general labor in

comparing the quantities of labor and in the proportional allocation of social labor. It can be considered that at that time, general labor began to be a real economic category (though it was at a rudimentary stage). Nevertheless, such general labor differs from the abstract labor embodied in commodities. Both links and differences exist between these two categories. What they have in common is that essentially they are both the use of human general labor power (brain, muscles, nerves, sensory organs and so on) and they are both objectively existing things in the physiological sense, not conceptual things. Their difference is that abstract labor is not just the expenditure of general labor power in the physiological sense; at the same time it is the general human labor which shows its social character through commodity exchange and produces commodity value. Abstract labor becomes such general human labor as a result of the process of commodity exchange. As mentioned above, the basic contradiction in a commodity economy is that between private and social labor. As a result of this contradiction, various kinds of private concrete labor must be reduced to qualitatively identical and therefore quantitatively comparable and unified abstract labor through exchange, various kinds of complex labor must be reduced to simple labor and various kinds of labor differing in skill must be reduced to labor of average skill. This process of subjecting various kinds of concrete labor to abstraction does not happen in people's thoughts, but occurs spontaneously in the market at the back of the producers of commodities. Marx said: "People enable their products of labor to become value and thus to enter into relationships with one another. It is not because people view these things as the material forms of the same kind of human labor. On the contrary, during exchange they cause their various products to have value and thus become equal, and so they designate various kinds of labor to become equal as human labor." (Marx: "Das Kapital," vol 1, p 90.) Thus, abstract labor is not equivalent to general labor; the two must not be confused. In a noncommodity economy, people use general labor and not abstract labor for comparing the quantities of labor.

We must also point out here that we must not be divorced from specific historical conditions in examining the social nature and role of the general human labor used for comparison and calculating the quantities of labor. Actually, such social nature and role differ in the various historical stages. As mentioned above, the category of general labor has existed since the time when man's social production had reached a certain stage of development. However, in the various social systems prior to the capitalist society, its social function had been limited to a relatively narrow scope and small extent. It was because during those times division of labor was not well developed, and there existed such trammels within the social systems as religious influences, regional blockade and feudal hierarchies, so that various kinds of labor were limited to narrow domains and there was consequently a lack of practical conditions for general labor to play a relatively great social role. This situation changed only when the capitalist society appeared. The capitalist social system sees the development of the commodity economy in the highest degree. In this social system, because labor power has become a commodity and circulates spontaneously in the market laborers often move from one occupation to another and are engaged in various kinds of labor. Thus, "labor in general" (namely, abstract labor) can become a real category and "a truth in practice." Marx said: "Any kind of labor is treated in the same way and a very well-developed aggregate of practical

varieties of labor is taken as the prerequisite. Among these varieties of labor, no single variety will dominate. Therefore, the most general abstraction invariably comes up where concrete objects develop most abundantly: There, one thing is common to many and all. Thus, it can be examined no longer merely in some special forms. On the other hand, the abstraction of labor in general is not merely the mental consequence of the concrete aggregate of labor. To treat any kind of labor in the same way is suitable for that form of society in which one can easily move from one kind of labor to another, in which a given variety of labor is fortuitous and is consequently not different from other varieties. [HK271322] Here, labor is the general means of creating wealth not only in category but also in reality. It is no longer a stipulation which is integrated with individuals in a special sense. This situation is most well developed in the United States, where the bourgeois society exists in its most modern form. Therefore, in that form of society, 'labor,' 'labor in general' and the abstraction of the category of (straightforward) labor, which are the starting point of modern economics, can become things of reality. Therefore, this simplest abstraction, to which modern economics attaches prime importance, and which manifests an ancient relation applicable to all forms of society, can appear as something real aside from its abstract nature only when it is a category of the most modern society." ("Collected Works of Marx," "Introduction to 'A Critique of Political Economy,'" vol 12, pp 754-755.) What Marx mentions here as "labor in general," "to which modern economics attaches prime importance," and which "is a category of the most modern society," refers to abstract general labor which creates value, or abstract labor. The quotation above clearly shows that Marxist classical writers have always studied abstract labor in close connection with specific social and historical conditions. They have always emphasized that abstract labor is a product of historical relations and that this product appears simultaneously with the commodity economy and acquires full practical significance about this point: "This example of labor clearly illustrates that even the most abstract category is a product of historical relations when we talk about the characteristics of this abstraction, though it is applicable to all eras exactly because of its being abstract. Moreover, it has full significance only in connection with and in the context of these relations." (Ibid.) Thus, abstract labor is not a category common to all social formations.

Third, some people may think that in a feudal society, the category of abstract labor also existed because whatever kind of labor the serfs are engaged in, they must supply surplus labor to the feudal lords in the form of feudal rent.

This view is also unsound. Actually, quite to the contrary, in a feudal society the principal aim of production is reflected in the feudal rent which appears as use value. Feudal lords exploit the serfs mainly by means of specific service items and charging payments in kind. The labor which the serfs are engaged in for paying rent is also embodied in various kinds of concrete labor stipulated by the lords to satisfy their needs of livelihood and entertainment. Marx said: "Here (referring to the medieval serf system--note by writer of article quoting Marx), the direct social form of labor is the natural form and specific characteristics of labor, not as in commodity production, based on which the common characteristics of labor are the direct social form." (Marx: "Das Kapital," vol 1, p 94.) Thus, under a serf system the surplus labor which the serfs supply to the

feudal lords is particular and individual concrete labor in the natural form. Such specific concrete labor need not be reduced to abstract labor through exchange. An important characteristic difference between feudal rent and the capitalist's profit is that the surplus labor constituting feudal rent adopts concrete special characteristics and not abstract general characteristics. It may be argued from another angle that the surplus labor supplied by various serfs to the feudal lords in various specific forms is also the use of man's brain, muscles, nerves, sensory organs and so on. However, this is just general labor and not abstract labor. Therefore, in a feudal society, the category of abstract labor does not exist.

Fourth, some may think that in a communist society, the comparison of the quantities of labor will become more important; but such comparison requires reducing concrete labor to abstract labor, and consequently the category of abstract labor will be applicable to, and therefore will exist in, a communist society.

This view is also incorrect. True, in a communist society, people must be greatly concerned about the economy of working time as well as the consumption and computation of productive labor. However, by that time socialist public ownership will have developed into unified ownership by the whole people, and therefore the production of commodities will not exist and the labor of each member of society will directly be social labor. Social planning work will be increasingly scientific, accurate and perfect. Therefore, the quantitative comparison of the labor embodied in the products of labor will not have to be done in a roundabout way, that is, by means of the category of value. It can be said that this category will then disappear for good. It will be possible to use the labor time directly as a measure in comparing the quantities of labor. Engels said that in a communist society, "every person's labor, no matter how its particular use is different from the labor of others, will become direct social labor right from the beginning. At that time, the quantity of social labor embodied in a product will not have to be determined by means of roundabout methods first. Daily experience will directly tell the average quantity of social labor needed for making this product. Society will be able to calculate easily the number of working hours embodied in a steam engine, 100 liters of harvested wheat or 100 square meters of cotton fabric of some particular quality. Therefore, because society will directly and absolutely know the quantities of labor embodied in the products, it will not need to represent these quantities with the relative, unstable and inadequate measure which it has been forced to adopt before. This measure is a third product, instead of time--the natural, commensurate and absolute measure for representing the quantities of labor." (Engels: "Anti-Duhring," The People's Press 1970 edition, pp 304-305.) [HK271324] Of course, even in a communist society, to accurately compare and compute the labor consumed in various products, people will have to eliminate the differences of labor in concrete form as well as the differences in individual working times, and take the "average labor time consumed" as the standard for comparing the quantities of labor. However, because planning, surveying, computation and other kinds of work are very scientific and accurate, it will not be difficult for people to determine the "average labor time consumed." It must be pointed out that this kind of "average labor time consumed" does not belong to the category of abstract labor because it will not possess the essential characteristic of abstract labor, that

of manifesting the social nature of labor by means of the abstraction--the general characteristic of labor. It will still be the general labor in the physiological sense as mentioned above. Such general labor will not have the characteristic of commodity value. Thus, abstract labor will not occupy a position in the future communist society.

III

The basic cause of these several wrong views about abstract labor is the neglect of the methodology and object of study of Marxist political economics. The primary method in Marxist political economics is that of dialectical materialism. Under the guidance of this method, Marxist political economics takes the law of the unity of opposites as the law governing social and economic development, and takes economic categories as a reflection of objective economic processes in people's thoughts. Under the guidance of this method, Marxist political economics takes the processes of social and economic development as an entity and in this way examines the internal links of this entity as well as the movement of contradictions within this entity. It takes social production relations as contradictions which are moving, developing and changing. It "explains social relations by means of production relations, and production relations by means of the degree of development of the productive forces." ("Selected Works of Lenin" "What Are 'The People's Friends' and How Do They Attack the Social Democrats?" vol 1, p 8.) Consequently, it views the production relations which are compatible with the productive forces as the product of some particular historical stages. Therefore, the method of Marxist political economics is also one of historical materialism. As a result of these dialectical materialist and historical materialist methods, the object of study of Marxist political economics is the production relations in the process of material production at various stages of social development, and Marxist political economy "is essentially a historical science." (Engels: "Anti-Duhring," p 144.)

Just because Marxist political economics is essentially a historical science which takes as its object of study the production relations at various stages of historical development, its economic categories can just be the theoretical representations of certain production relations and can just be some historical categories. For example, surplus value, labor power as a commodity, the impoverishment of the proletariat and so on are economic categories peculiar to the capitalist mode of production and reflecting capitalist production relations. Commodity, value, abstract labor, money and so on are economic categories common to several particular modes of production and reflecting relations of commodity production. Although there are some general economic categories common to various modes of production, such as productive forces, production relations and so on, yet even these most general economic categories possess different characteristics according to different production relations prevailing at different stages of historical development. Therefore, if abstract labor is merely taken as an eternal category in the physiological sense, then this economic category which should have reflected certain production relations will become a category of natural science in the physiological sense, and such a category cannot explain any economic processes. Moreover, viewing abstract labor this way denies the historical nature of Marxist economics. (Editor's note: This article was received in March 1980.)

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DEVELOPMENT OF PEDAGOGICAL ECONOMICS URGED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 80 pp 13-16

Article by Yu Guangyuan (0060 0342 6678): "Several Questions Concerning the Establishment and the Development of Pedagogical Economics"]

[Text] I. What is Pedagogical Economics? Can the Sciences of Pedagogical Economics Be Established?

I advocate that the science of pedagogical economics should be established and developed in our nation.

Pedagogical economics studies the economic problems in pedagogy. It can also be said that it studies educational problems from the point of view of economics. Pedagogical economics is a branch of economics. There is a discipline in economics that is called sectoral economics. It specializes in the study of economic problems of each sector of the national economy. Education can be viewed as a sector of the national economy, therefore of all the classifications of economics, pedagogical economics belongs to sectoral economics.

Pedagogical economics can also be said to be a branch of pedagogy. I believe pedagogy is divided into two broad sections--the science of the phenomena of pedagogical cognizance and the science of the phenomena of pedagogical sociology. The former studies education as a kind of cognizance phenomenon and is a branch of the theory of knowledge. The latter studies education as a kind of social phenomenon and is a branch of sociology.[1] Pedagogical economics belongs to the science of the phenomena of pedagogical sociology.

In general, pedagogical economics is economics as well as pedagogy.

Pedagogical economics has its general theories. It discusses the question concerning which stage of development of society and history must be reached for pedagogical economics to become established as a science. It studies the objects, tasks and methods of pedagogical economics, it studies the common problems of pedagogical economics under capitalism and under socialism, it studies the problems of pedagogical economics common to all nations of the world. There are also studies specializing in problems of pedagogical economics under a definite socio-economic system and in a definite nation. We now advocate the establishment of pedagogical economics, which of course will include the former and the latter and which will emphasize the study of the general theory and principles of pedagogical economics under socialism and its application in China.

The relationship between pedagogy and production is an important theoretical question to study in pedagogical economics. The question includes the problem of whether education is a productive sector. But the question of whether education is a productive sector and the question of whether pedagogical economics can be established as a science are not the same question. Some comrades have started out opposing the view that education is a productive sector and have expressed doubt as to whether pedagogical economics can be established as a science. I believe such a view should not be taken. I believe that as long as we affirm that education and economics are closely related, affirm that there are many economic questions in education which must be studied, then the science of pedagogical economics can be established.

Here let us first discuss whether a sector must be a productive sector. Such a general question can only be asked after studying the sectoral economics of this sector. The answer is negative. Economics of course studies production. But here, production includes production, exchange, distribution, and consumption as a whole production process, and is not limited to direct production processes. Therefore, any study of a certain link in the entire production process should be included in economics. For example, commercial economics studies exchange, financial economics studies distribution, consumer economics studies consumption. They are not direct production processes, but everyone agrees that these studies belong to economics. Of course, exchange, distribution, consumption have a great function in direct production, therefore commercial economics, financial economics, and consumer economics also study the effect of exchange, distribution and consumption upon direct production and their function in direct production. Since nobody questions the establishment of these as sectoral economics, therefore the above way of viewing the problem should also receive public recognition. We can thus expand this method to include the study of problems in education. Although education cannot be regarded as belonging to the link of production, exchange, distribution and consumption, it is related to the entire production process of this society. Whether education is a productive sector or not, education occupies an important position in the national economy. If this point is recognized, then the existence of pedagogical economics should also be recognized.

At the same time, there are many economic problems within the educational sector, such as the national budget for education and the problems of the state's financial management of education, the problems of economic results of education provided by schools, etc. Although the party and the state have emphasized education more and more, at any given moment, the state's funds for education will always be insufficient, therefore they must be utilized well, managed well, and thus, to study the problems well, such a field of sectoral economics as pedagogical economics is needed to conduct such studies. This is also one reason that the establishment of pedagogical economics should be affirmative.

II. Why Do We Emphasize the Proposal To Establish and Develop Pedagogical Economics Today?

Now everyone is becoming more and more deeply aware that for our nation to realize the four modernizations education must be greatly developed. It can be seen in the announcement of the Fifth Plenary Session of the 11th Party Central Committee that education work has been elevated to a very important position. The announcement made a special proposal to draw up plans for the educational system and to draw up

an educational plan. Not long afterwards the Secretariat of the Party Central Committee was briefed on the problems in education. Comrade Fang Yi [2455 3015] announced the directives regarding the direction of educational work as decided by the Secretariat at a panel discussion meeting. Now the newspapers have launched discussions concerning educational work. Today we elevate educational work to such a high position because it is indeed extremely important to the construction of the four modernizations. The construction of modernization cannot be carried out by people without any education. The machinery and equipment of modernization must be built and operated by technical personnel and engineers and technicians who have received scientific education and technical training. Modernized enterprises must be managed and operated by people who have received education in scientific management. Cadres working in all positions must be people who have received specialized training in school. They must all have a definite level of education. This is not difficult to understand. A further question is to conduct "quantitative" studies to appropriately answer our questions concerning what position education occupies in the construction of modernization and in the entire socialist national economy, and questions concerning how profound it should be. For example, how should the proportional relationship between education and other sectors be arranged so that the relationship would be more correct, how should manpower and material resources be more rationally distributed between education and other sectors. Such questions cannot be accurately answered immediately. This requires further scientific analysis. Only by establishing and developing pedagogical economics, gathering related information domestically and abroad, exploring the scientific methods of studying these types of questions, conducting careful studies of the situation of these aspects in our nation and their problems can the scientific basis for answering the above questions be provided so that decisions can be made when formulating national policies.

The position and function of education in the national economy should not be underestimated nor overestimated. At present, a majority of comrades still underestimates the position of education. Many nations in Europe, and the United States and Japan have realized the important function of education through their own experience. They value the results of "investment in talent" and "intellectual investment" highly. We should learn this. If we conduct systematic studies of these questions according to domestic and foreign experience, then we can use the results of study in these regards to convince those who underestimate the position of education in the national economy.

Now all enterprises in our nation are developing, but in any period, a nation's funds for construction will always be limited. Especially at present our nation is in the middle of the phase of adjustment, and none of the enterprises will be able to receive sufficient funds, therefore there are problems of rational utilization of construction funds. Some of these problems are related to education. For example, now many young people graduate from high school in our nation every year, but those admitted to the universities are very few. Therefore we face the problem of the future of high school graduates. This is a social problem and also an economic problem. There are only two ways to pursue, one is continuation of education or employment. Continuing education provides two alternatives, one is whether to go into university or to receive vocational training. There are also many alternatives in seeking employment. Here there is a series of problems of economic efficiency which must be studies. Economic efficiency is the ratio between the expenditure of labor in a certain social practice (including live labor and material labor) and

the results obtained. The problem here is to determine which idea and which plan among the many ideas and many plans for investing in setting up schools and training students or assigning these young people to work can achieve greater economic results. Such a problem is very complex and must be studied by establishing and developing pedagogical economics before a scientific answer can be obtained. During such studies, the following data must be made clear: In making arrangements for one young person to work, how much wages must be paid him a year, how many other investments must be made for him to have the qualifications for employment, here each profession and business is different, they must be studied by categories and the total and the average amounts must be calculated. And what are the amounts needed to make arrangements for a young person to continue his education? Also, when the young person who continues his or her education will face the problem of employment must also be calculated, and what problems will emerge at that time, how much investment would be needed. In conducting this type of studies, what kind of results can be obtained economically at present and in the future when a young person continues his or her education and his educational level is elevated must also be calculated, or what kind of results can be obtained if he or she is given employment, etc. The results of such studies are then used as the bases for analysis of the economic efficiency of different plans. This type of work obviously possesses the nature of a specialized academic study. Without conducting such studies, how can we obtain conclusions for scientific action?

I do not plan to list every reason for establishing and developing studies in pedagogical economics here. The reasons mentioned above are sufficient. I believe, to do the work in education well in our nation, there must be specialists in pedagogical economics (these specialists do not exist now or there are only a few, as such studies are conducted, we will have trained some and the numbers will increase rapidly), there must be specialized institutions for such studies, there must be written works in this field and there must be academic conferences in this field to propose suggestions that are scientifically based for the nation.

III. Is Education a Productive Sector?

We mentioned above the question concerning whether education is a productive sector, which may cause some argument, but this does not prevent us from discussing whether pedagogical economics, as a branch of economics or pedagogy, can be established. This does not mean that this question is not an important and basic question in pedagogical economics. But this question is a very complex theoretical question in political economics. It involves the Marxist theory concerning productive labor and concerning the theory of social production and reproduction. Therefore this question cannot be discussed cleraly in such a short article. Now I can only talk about some ideas directly related to this question in simple terms.

The question whether education is a productive sector is directly related to the question whether educational labor is productive labor. Marx pointed out two different concepts related to productive labor. One is "to examine productive labor from the point of view of simple labor," the other is "productive labor that is a specific productive relation." The former is productive labor viewed from the relationship of material exchange between man and nature. The latter must be those types of labor that manifest specific productive relationships. Labor to produce material resources, as examined from the point of view of simple labor, of course is productive labor. Marx has explained this point very clearly in Chapter 5

of the first volume of "Das Kapital" and many other places. But labor to produce material resources must be qualified by other conditions to become labor that manifests specified productive relationships. Marx illustrated the case of a capitalist who invited a seamstress to come to his home to patch up his pants and showed that this was not capitalist productive labor because it did not belong in the realm of capitalist productive relationships. Capitalist productive labor must be labor that produces surplus values for the capitalist, it must be labor that produces capital, it must be labor that is interchangeable with capital. Labor involved in having the seamstress go to his home and patch up his pants only provided utility value for the capitalist. Therefore whether educational labor is productive labor or not must be viewed from these two different concepts.

Is education "productive labor viewed as a simple process of labor"? This can be answered in the affirmative based on two reasons.

First, educational labor is a part of the total combined labor that produces material resources. Marx wrote in Chapter 14 of the first volume of "Das Kapital": "When the process of labor is taken as a purely individual process of labor, the same laborer combines all the functions that are later separated...They are separated later...The product is converted from being a direct product of the individual laborer to a social product, and a common product of the entire body of workers, i.e., the combination of all laboring personnel. Each member of the entire body of workers directly or indirectly acts upon the object of labor. Therefore, as the coordinative nature of the labor process itself develops, productive labor and its bearers, i.e., the concept of the productive worker, necessarily expands. To engage in production, labor does not necessarily involve personal work now, it is sufficient to be one organ of the entire body of workers and to perform a certain function. The initial definition of productive labor derived from the nature of material production itself has always remained valid for the entire body of workers viewed in its entirety. But, to each individual member of the entire body of workers, it is not appropriate anymore."[1] In a pure individual labor process, the person must complete a certain productive work. Sometimes he needs to learn and study to increase his own knowledge as preparation for directly dealing with the object of labor. Now learning and study of educational function thus indirectly acts as a form of labor upon the work involved in the object of labor and as a form of labor of an organ of the entire body of workers. It should be regarded affirmatively as productive labor.

Second, examining productive labor from the viewpoint of the simple labor process, it should be "either labor for the production of commercial products or labor directly involved in labor capabilities of labor itself for production, for training, for development, for maintenance, and for reproduction." This is because "the entire world of commercial products' can be divided into two parts: The first is capabilities of labor, the second is the commercial product that is different from the capabilities of labor itself. Some labor is used to train and maintain capabilities of labor or to change the form of the capabilities of labor, etc. In general one is to give labor capabilities specialization or to preserve labor capabilities. Marx said: "service performed by teachers in schools (as long as he is 'necessary in production' or useful), services performed by doctors...these services should be included in the cost of producing labor capabilities or the cost of reproduction."[2] Education that provides training in labor capabilities and functions to change the form of lavor capabilities should be regarded as a factor of production.

As to the question of whether education is capitalist productive labor, Marx said: "If an example can be cited from outside the realm of material production, then only a teacher who trains a child's brain and who works for the profit of the school master can be considered as a productive worker. The school master who does not invest his capital in a sausage factory but invests his capital in an education factory has not made any changes in the state of affairs."[3] Therefore, whether education in capitalist production belongs to productive labor depends upon whether it manifests the capitalist productive relationship. In this way the answer is affirmative. Whether education belongs to socialist labor of course is no longer judged by this standard but is judged by whether it carries out this type of labor in the socialist economic organization and whether it takes the satisfaction of the need for education by the society as the goal of its own labor.

Therefore, regardless of which concept of productive labor pointed out by Marx is used, education conducted by our nation and conducted by the socialist collective is basically socialist productive labor. In our nation's entire socialist system, education can be regarded as a productive sector. This is a special productive sector. That it is judged and determined to be a productive sector is based on the function education performs in social production. Education is of course not a sector of direct production, but the goal of education and the content of education are varied and plentiful.

The social duties of education are not limited to serving production. I do not intend to discuss these questions in this article. But there is one obvious point, which is that productive duties of education are the duties that are the most important and that constitute the greatest proportion among the many duties of education. Therefore we say that education should basically be affirmed as a productive sector.

By affirming that educational labor is basically productive labor, education basically is productive force, the education sector is basically a production sector, then in practice, it is beneficial to the development of education in our nation and of our nation's economic enterprises. At the same time we can also see that only by affirming these can a strong and full theoretical basis be established for including those people who engage in educational work as a part of the working class.

FOOTNOTES

1. Marx: "Das Kapital," Vol 1, People's Press, 1975 edition (same in the following), pp 555-556

2. Marx: "Theory of Surplus Value." "Collected Works of Marx and Engels," Vol 26, I p 159

3. Marx: "Das Kapital," Vol 1, p 556

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ECONOMIC PLANNING

INDIVIDUAL ECONOMY DOES NOT MEAN REBIRTH OF CAPITALISM

Guangzhou NANFANG RIBAO in Chinese 23 Aug 80 p 3

[Article by Xiao Luan Yuan [5135 3497 0954]: "Individual Economy Is Not Capitalist Economy"]

[Text] Since the Third Plenary Session was held, the party Central Committee has, based on the economic experience of the past economic construction, and taking into consideration the new historic conditions and new experience gained from practice, allowed, and even encouraged, the existence and development an economic system of individual ownership within a certain fixed range simultaneously with an economic system of ownership by the whole people and an economic system of collective ownership. Today, the number of individually owned industrial and commercial enterprises in cities and villages has been gradually increasing. Just in Guangzhou Municipality alone, from August last year to July this year, more than 6,800 business licenses for individually owned enterprises were issued. These businesses employ more than 7,500 persons. It is evident from the conditions in various areas afterward that development of individual economy has contributed positively to increasing the wealth of the society, to satisfying the needs of peoples' lives, to enriching the market supply and to opening up many opportunities. However, there are a few people who not only refuse to acknowledge these positive impacts brought about by the individual economy on the present stage, but, worse, suspect that this may be a step "backward," or that it may "nurture capitalist economy."

In fact, these suspicions and worries are unfounded.

We all know that individual ownership economy is a single economic component: the laborer's private economy. It is neither capitalistic nor socialistic in nature. It has existed in every different type of social condition: for example, the industry and commerce operated by free persons in the slavery society; the individual money of the serfs in village and handicraft industry in the cities of feudal society; and the family labor, the individual farmer, and handicraftman of capitalist society. These have never taken an independent socia' form, but have always belonged to the prevailing economic system of the period. In the early days after the birth of this nation, a large volume of individual economy existed side-by-side with the national ownership economy and collective economy. Even at the high tide of socialist reconstruction in

1956, although a large number of individual industry and commerce units were converted into collective economy, there always existed a certain number of individual businesses. Before 1958, the individual economy occupied 2.8 percent of the national economy. Later, due to the influence of "leftist" inclinations, especially during the decade of upheaval, individual economy was chopped down and its numbers dropped abruptly. Nevertheless, the individual economy did not vanish completely. To be sure, when the socialist economy is fully developed, the individual economy will, in the end, be replaced by the collective ownership economy or the economy of ownership by the whole people. However, this can only be realized under circumstances in which the socialist economy and production power have developed fully.

Whether a certain form of economy system needs to exist or not should not be determined by the people's subjective desires. Rather, one must ask "whether it is compatible with the current stage of national production power." Before liberation, this country existed as a semicolonial, semifeudal society. Its production power was quite weak. After liberation, although significant progress has been made in matters related to socialist economic construction, there is still unbalanced development in various departments in various areas. There is not only modernized, automated, large-scale production, but also semimechanized, and semimanually operated production, and even manual labor production using only hand tools. A multilayered production system such as this requires production relations having corresponding multiple economic components in order to agree with the principle that production relations must correspond with the development of production power. In the past, due to our lack of understanding of the objective laws of socialist economy, although significant achievements were made in matters related to socialist reform of individual handicrafts, the pace was a little too fast. During the cooperativization movement of handicrafts carried out in 1956, in some areas several different handicrafts were grouped into a single cooperative. As a result, brands and variety of products are reduced in number and, worse, the quality of some name brands suffered a loss. In 1958, many handicraft cooperatives underwent further merger, reducing the number of brands and the variety of products even further. Craftsmen were no longer able, as in the past, to manufacture directly for the customer and repair their own products for the customer. Socialist reform of small stores and street vendors also encountered similar problems. When many cooperative stores and cooperative committees were grouped into state-operated commerce in 1958, those small stores and street vendors who were each fully responsible for their own profits or losses vanished almost completely. Many residents experienced extreme inconveniences as a result of this. Be it eating, buying groceries, or buying clothes, the lines were getting longer and longer. In view of what came to pass in this country after the socialist reform, it became clear that the existence and development of a small number of craftsmen and street vendors who are each fully responsible for their own profits and losses not only are tolerable but also are necessary in a socialist society in which the public ownership economy occupies the absolutely superior position. These individual enterprises can fill the gaps in the socialist public ownership economy.

It is evident from the above observation that tolerating the existence and development of individual economy to some extent means satisfying objective needs and is in complete agreement with objective economic principles. To be

sure, during the process of socialist construction we must insist that development of whole people ownership economy and collective ownership economy be the first priority, and we must carry out step-by-step the socialist reform of individual handicraft and small street-vendor operations. However, this is not the same as eliminating in one morning all economic components other than whole people ownership and collective ownership economy, without any regard whatsoever for conditions or circumstances. For a very long time we have held some incorrect viewpoints concerning theoretical matters. The wrong viewpoint was manifested in the matter related to agreement between production power and production relations. We have onesidedly emphasized constant change in production relations in order to promote development of production power. On matters related to ownership, we emphasized only "big" and "public" and neglected concrete analysis. We held that ownership by the whole people was necessarily more advanced and superior than small collectives, and the collective economy was necessarily more advanced and superior than individual economy under any circumstance. Being guided by this viewpoint, standards for production power development were not met, and onesided emphasis on reform of the ownership system brought about endless "transition" and promotion. Many problems cropped up as a result of this method of operation. Practice has proven that premature and too hasty destruction of individual economy when various conditions are not yet quite ready is detrimental to the growth of production power and the socialist economy. Based on the experiences and lessons of the past and our own production power standards, and under the circumstances in which the socialist public ownership economy occupies absolute superiority, we have relaxed individual economic policy [restrictions] by allowing its existence and development within a certain fixed range. This does not mean that we are giving up the socialist road. On the contrary, this is being done to facilitate and promote the development of the socialist economy. We have gone too far too fast in the direction of eliminating individual economy, and a little "retreat" is absolutely necessary now. This "retreat" is, in fact, to promote "advance." This retreat is certainly going to stimulate even faster progress and development of socialist enterprises.

Could permitting the existence and development of individual economy lead to the rebirth of capitalism and the bourgeoisie? Did Lenin not say that small production is constantly, by day and by hour, automatically, and in large scale, producing capitalism and bourgeoisie? This statement made by Lenin must be analyzed in the light of the circumstances at that time. First of all, this statement by Lenin was made in 1920 before the collectivization of rural villages was carried out. The small production referred to in this statement was the scattered individual farmer economy which existed before the socialist reform was completed. At that time, the total volume of small production in a village occupied a dominating position. The individual farmers controlled 94 percent of the commodities and grains of the entire country. They were free to trade, to speculate and to fail, and exploiting components are bound to be born. Secondly, the capitalism and bourgeoisie referred to in Lenin's statement were mainly those farmers who engaged in grain speculation, and were not the capitalism which engaged in production by hired labor or the bourgeoisie which exploited hired labor. At that time, as a result of the devastation brought about by the war, food was scarce in Russia. In order to get grain and save the newly born Soviet Government, they implemented the mandatory

collection of surplus grain. But some of the farmers were more interested in speculative activities in order to sell the grain at higher prices. It was these very activities which were labeled by Lenin "capitalist and bourgeois." The situation in this country today is quite different from that of the October Revolution. In this country, collectivization has long been realized and all farmers are commune members now. Vital agricultural products such as grain are mainly under the control of the collective economy, and the individual farmers can never speculate and trade in large quantities of grain. The individual small handicraft, small store, and small street vendor in cities and towns, according to production data, are small and private, and their services are aimed mainly at the socialist workers. Their raw materials are mainly supplied by the socialist enterprises. Their prices are in general regulated by the managing organization. Part of their profit is returned to the nation in the form of taxes. Their entire economic activities are directly or indirectly affected and controlled by the public ownership economy. They are subordinate to the socialist economy and are in the service of socialism. Therefore, not only is the individual economy itself certainly not a capitalist economy, but also, given the economic conditions of this nation today, it can never turn into capitalism.

The discussion of whether or not individual economy can develop into capitalism is often centered around whether or not a hired labor force is involved. To be sure, free trading of the labor force is one of the vital ingredients of shaping capitalism. However, it is wrong to say, conversely, that any activity in which hired labor is involved, no matter how much, is capitalist. Historically, hired labor existed from very early days. It coexisted with slavery for many centuries. Viewed from the practical side, it is also quite clear that hired labor does not automatically mean capitalism. Yugoslavia has a written law stating that small factories may hire from three to five workers. They have practiced this system many decades without regenerating capitalism or a bourgeoisie.

In Volume 1, Chapter 9 of "Das Kapital," Marx described surplus value rate and surplus value volume. He made a detailed study concerning the number of labor forces required for a currency-holding small boss to change into a capitalist. Marx reasoned that if a laborer is in possession of his own production materials and is also willing to live the life of a laborer, he needs only spend just enough labor each day to regenerate his livelihood materials. If 8 hours are required to regenerate his livelihood materials, then he works 8 hours a day. If he is hired by a capitalist, in addition to the 8 hours of labor needed to produce his own livelihood, he must work 4 hours to produce surplus value for the capitalist. If this capitalist wants to live a life comparable to that of the laborer, he must hire two workers.

However, the objective of capitalist production is to make a profit and to increase his wealth, and not merely to live a life comparable to that of the worker. If he desires to live a life twice as good as that of the average worker and to turn one-half of the surplus value into capital in order to increase his capital continuously, then he must hire eight laborers. Marx said, "To be sure, he himself can also participate in the actual production

process together with his hired hands. But if he does, he becomes something between a capitalist and a laborer; he is a small boss." ("Das Kapital," Vol 1, p 321) He is still not quite a capitalist. After capitalist production has achieved a certain degree of development, "it will require the capitalist to devote his entire time to become a capitalist, to increase his capital, and to occupy and control other people's labor and to trade in the products of these labors." (Ibid) The guild boss of medieval times was prevented from turning directly into a capitalist by the limitations on the number of employees he was allowed to hire. Today, with the growth of labor production rate, it may not be necessary for a small boss to hire eight laborers in order to be able to become a capitalist. But in any event, there still exists a minimum number.

It is evident that in a society in which public ownership occupies the absolutely superior position, the existence of individual economy and a certain degree of its development are quite tolerable. Furthermore, allowing a few individual industrialists and merchants to hire a few apprentices will certainly not lead to capitalism.

Of course, since individual economy is a small private ownership economy, a certain spontaneous inclination is unavoidable, producing some forms of negative action. In this area, stronger leadership and assistance will be needed, and appropriate measures must be taken to ensure that they will not deviate from the socialist path.

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REASONS FOR DROP IN JIANGNAN COAL PRODUCTION REVIEWED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 8, 15 Aug 80 pp 11-13

[Article by Du Zhenbiao [2629 2182 2871]: "Correctly Deal With the Problem of Loss Incurred by Local Coal Mines in Jiangnan"]

[Text] I.

During the 30 years since the founding of the nation, the seven provinces (regions) south of the Changjiang--Guangdong, Guangxi, Hunan, Hubei, Zhejiang, Fujian and Jiangxi--have implemented the policy of "walking on two legs" with help from the state. They have mobilized the enthusiasm for building mines at all levels, and the coal industry has developed rapidly. The original yield of coal in 1949 was 1,530,000 tons, this was raised to 68,480,000 tons in 1979, an increase of over 40 times. Of this, local coal mines (provincial, regional, county, commune and brigade coal mines) were the main force. In 1979, they produced 58,600,000 tons of coal, constituting 86 percent of the total yield of the seven provinces (regions).

At present, the seven provinces (regions)have already determined the geological storage of coal to be 8.8 billion tons. There are now 855 mines above the county level. Of these, 481 mines produce over 30,000 tons a year. Their design capacity is over 52,000,000 tons. The staff and workers number nearly 500,000. Scientific research, machinery repair and construction, design and construction have all developed correspondingly and a definite foundation for further exploration of the Jiangnan coal fields has been laid.

But, in the development of the local coal mines in the seven provinces (regions) in Jiangnan, many problems have accumulated. For example, last year, the four provinces (regions) of Guangdong, Guangxi, Hubei and Jiangxi produced 4,600,000 tons of coal less than the previous year. This year, according to statistics for the seven provinces (regions), 90 mines have already ceased production. These mines produced 1,280,000 tons of coal last year. There are some mines that suppressed production and limited production by 1,570,000 tons. There are also many which are planning to cease production. If the yield of these mines continues to shrink, increased pressure will be placed upon the unified distribution of mines, causing a chain reaction and directly affecting the development of the national economy of the Jiangnan area.

The main reasons that the production of local mines of the seven provinces (regions) of Jiangnan has dropped are: complex objective conditions, high cost of mining,

and great losses of the coal mines. These mines mostly utilize scattered resources, the storage conditions of the coal layers are poor, variations are great, and there is definite difficulty in mining. At the beginning of the mining operations, indigenous methods were used, coal was mined at shallow parts, and the operation of the mine was used to still sustain simple reproduction of the mine. As the mines became deeper, more and more difficulties were encountered. According to surveys conducted in Hubei, the cost of mining 1 ton of coal from one layer deeper rises by 5 to 6 yuan. Thus necessary equipment that should have been added could not be added, construction work that should have been done could not be done, and coal was produced with anything available. There are also some mines that joined in production with simple facilities, their production system was incomplete, a comprehensive productive capability was not formed, and more and more problems accumulated. The outstanding problems faced by these mines at present are: One, an imbalance in exploration and digging. Calculations based on the lower limit of the demand for a balanced "three quantities" showed that 73 percent of the mines were out of balance, and digging exploration lagged behind by 820,000 meters. The second is simplicity of the equipment. Large alleys that were traveled by push carts still constituted 60 percent, and 91 percent of the mines still depended on human labor to load rocks after digging. Another 30 percent of the mines depended upon natural ventilation or had only one ventilation well. There are even a few mines that use the open fork switch for lights, violating the "mine safety regulations." The third is debts for living expenses. Up till now there are still workers of some mines who live in simple work tents. They have nowhere to go to take a bath after emerging from the mines. There are no mess halls where they can eat and their dependents cannot go to school. The problems have accumulated, and it is very difficult to sustain production. According to statistics, last year there were 370 mines that lost 160 million yuan, and average loss per ton of coal was 4 yuan.

This year, because of the rise in the prices for consumable materials and energy resources, such as wood beams for the mines, cement, electricity, and with the addition of wage adjustments for the workers and the issuance of compensation for living expenses, the cost will necessarily increase. According to estimates for Hunan, Jiangxi and Guangdong provinces, the average increase per ton of coal was between 2.6 yuan and 3 yuan. Therefore, this year's scope of loss will increase. The loss in monetary figures will also surpass that of last year.

Because of the loss of local mines, the more digging the more loss is incurred. Many places believe mining is a losing business and that it is better to beg for coal, and they do not want to spend a lot to dig for coal. Key coal producing counties are also thinking of their own needs and are unwilling to make financial investments, material investments, produce more and ship their coal to other places, therefore the enthusiasm for mining has been dampened. For example, some counties in Hunan's Lianyuan area have three mines, of which two are closed. Some counties have four mines, but only one is left. Therefore, the region's plan to ship 1,400,000 tons of coal to other localities this year has fallen through. It can thus be seen that how to deal with and handle the loss incurred by the local coal mines in Jiangnan is an important question that concerns the coal mining industry in our nation's Jiangnan region and the development of the national economy in that region.

II.

A comparison of the coal mines in the Jiangnan area and the coal mining bases in the Jiangbei area shows that the investment for exploitation is large, production costs are high, loss in mining is great, and relatively speaking, mining is not the region's strong point. Should these losing coal mines in Jiangnan be closed and should their needs be satisfied by shipping coal from the north to the south? No!

Jiangnan is the bastion of fish and rice. Its light industries and textile industries are developed. The potential for industrial and agricultural production is great. The good or poor supply of fuel directly affects the speed of development of the national economy of the locality. From 1975 to 1979, the amount of coal shipped from the north to the seven provinces (regions) in Jiangnan constituted only 19 percent of the actual amount of consumption. Last year when the shipping of coal constituted only 24 percent. To close all losing mines in the seven provinces (regions) in Jiangnan will result in a onefold or twofold increase in the amount of coal to be shipped from the north into the region, based on the lowest amount of consumption at present. Obviously, this is very difficult to achieve.

The losing coal mines of Jiangnan cannot be closed, and there are the four following reasons:

First, considering the conditions of transportation at present, the capacity for transporting coal on the two north-south trunk railway lines has already reached saturation. Shanxi is the major province in Jiangbei which has the potential for shipping coal to other places. To increase the amount of coal shipped from Shanxi to other places by onefold requires rebuilding of five railway lines, and at the same time it requires building a new north-south railway trunk line, including a bridge spanning Changjiang. In this way, the lowest estimated investment is 70 billion yuan. Even if such a huge amount of capital is provided, the construction time will be at least 10 years. It is obvious that remote solutions can hardly solve immediate problems. Also, regions far away from the railroads will encounter difficulty in short distance transportation and some remote mountain regions are inaccessible.

Second, in the utilization of resources, the storage conditions of coal resources in Jiangnan are poor, strips are small, the coal layer is thin, the content of ash is high, the quality of coal is secondary, unlike Shanxi which is "endowed with riches." But the distribution of coal in Jiangnan is wide, and this is suitable for opening small mines but not large mines. According to surveys of the 710 countries in the 7 provinces (regions) in Jiangnan, 325 counties have coal resources. Of these, 307 counties have already utilized local resources for mining. Multiple localities and a wide area of distribution greatly improved the planning of the coal industry. Local production and local utilization have promoted the development of power generation, chemical fertilizers, cement, silk reeling, and paper manufacturing industries, and the local national economy has been enlivened. If one only sees the high cost of exploring the resources of Jiangnan and does not consider planning, and abandons them and does not use them, then this view is unilateral. The problem should be considered in the light of a long-term energy policy. It is not right to pick the rich and abandon the poor within one mining area, and it is also not good to pick the rich and abandon the poor resources in entire

areas of coal fields. In particular, the resources of regions lacking coal must never be lightly denied by comparing the advantages of "northern coal" to the shortcomings of the locality. This is because local production and local utilization are still much better than transporting coal into the region.

Third, from the point of view of comprehensive economic effects, generally speaking, the investment for construction and the production costs for mining in Jiangnan are higher than in Shanxi, Henan and Hebei. But transporting northern coal to the south requires traveling thousands of li, and the transportation costs are high and loss is great. Take Zhejiang as an example: Last year, each ton of coal shipped from Shanxi, Hebei, Henan and Anhui provinces to Hangzhou cost an average of 14 yuan, 3 percent was lost en route, equivalent to 0.65 yuan, and adding the price of coal, the cost of each ton of coal came to 36 yuan. This did not include the amount not included in the plan which had to be bartered with food, edible oil and meat. And a caravan had to be dispatched to transport these over short distances. Although the cost of local coal per ton was 25 yuan and the quality was one grade poorer, 1 and a half ton of local coal is equivalent to 1 ton of imported coal, and this is still feasible.

Most of the mining enterprises in Jiangnan suffer losses, but comprehensive accounting shows that it is worth it. For example, Zhejiang utilizes local coal, and compensation for the loss per ton of coal is 4.2 yuan. On the average, 50,000 tons of coal can create 100 million yuan of value of industrial production, providing a profit and tax revenue of 20 million yuan, while compensation for coal is only 210,000 yuan. Kaihua County developed and utilized local bone coal. Compensation for each ton of coal was 7 yuan. Using bone coal to fire lime, bricks and tiles and cement, creates 150 yuan per ton, providing a profit and tax revenue of 25 yuan. Again for example, the Foshan area of Guangdong used to burn 230,000 tons of sugar cane residue each year. After the region began its mining operation, compensation for each ton of coal was between 5 and 10 yuan, and coal replaced sugar cane as fuel, allowing the sugar cane residue to be used to manufacture paper, which created a production value of from 100 to 150 yuan. Making a small investment for a large gain is something that anyone would want to do with pleasure!

Fourth, from the point of view of changing the structure of civilian consumption of fuel, the Hiangnan area has a very dense population, and the people use fuel for living. Those living near mountain regions burn firewood. Those living in plains burn rice stalks. In the past, Jiangxi Province used mainly wood and charcoal as fuel. Now, of 85 counties throughout the province, 52 counties have gradually replaced wood with coal, with the good result of closing the mountains for forestation. After Daye County of Hubei Province launched coal mining and the masses began to burn coal, 450,000 mu of rice stalks were returned to the fields for producing fertilizers, and the effect of fertilization was equivalent to 3,000 tons of nitrogen fertilizers.

The four points above fully show that the function of the coal mines in the Jiangnan area is great. Some localities at present depend upon the north to ship coal to the south, and the need still cannot be satisfied. Therefore, the principle of suiting measures to local circumstances must still be insisted upon to actively help develop the coal mines of some localities.

III.

To actively help develop the coal mines of Jiangnan, could the loss be entirely taken over by finances? No.

This type of method of "sharing the big pot" does not differentiate which is loss due to policy and which is loss due to operation, and it is unfavorable to mobilizing improvement of the coal mines and strengthening the enthusiasm of management and operations.

Zhejiang Province implemented compensation for loss due to policy, and the results were good. They conducted surveys and studies and started out from the actual situation. A compensation method was implemented to compensate for the exploration and utilization of bone coal which is needed by the locality, although the quality of the coal is poor and the digging rate per 10,000 tons is high. Each mine writes up a production plan at the beginning of the year and also submits a loss plan according to standards. The provincial coal bureau and financial bureau jointly review and determine the amount of compensation. The results are good. For example, in 1979, each mine planned a loss of 6,670,000 yuan, the approved compensation was 5,260,000 yuan. After implementation, the actual compensation was 4,700,000 yuan. The cost per ton of coal of the losing coal mines dropped from 17.2 yuan of the previous year to 14.3 yuan. This method is worthy of popularization.

To correctly deal with the loss of the local coal mines in Jiangnan, surveys and studies must be conscientiously conducted to analyze the causes of the loss on an overall basis and deal with the reasons separately.

All subjective causes such as managing a small mine in a big way, poor management or backward methods of mining must be rectified concretely, operations and management must be improved, mining methods must be improved, and a time limit must be placed on the mines to turn losses around and increase profits.

All objective conditions which cause losses and which are difficult to overcome, such as hydrological conditions and geological structures that are complex and cause a high mining rate per 10,000 tons, high drainage of water at the bottom of the mines, or secondary quality coal which is needed by the locality and has a market should be listed as loss due to policy and should be compensated for. The method of Zhejiang should be taken as reference to implement fixed amounts of compensation, planned control, refusal of compensation for overly large losses, and reduction of loss for self use. In this way, those losing coal mines can continue to operate, and also the strengthening and improvement of operation and management of the coal mines can be stimulated. Some places have suited measures to local circumstances and implemented a way of operation in which the mine leads the plant in joint operation, and losses incurred by the mine are compensated by the plant. This is also very effective.

Of course, those mines which are extremely poor economically and technologically should either be combined or should be closed when necessary. But, in carrying out this work, the advantages and disadvantages must be measured and balanced on an overall basis, and care must be used in dealing with the situation. Actions must not be taken "in one blow" and "in one swift action."

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BRIEFS

HEILONGJIANG'S QIQIHAR MUNICIPAL REVENUE--In the first 7 months of 1980, the total financial revenue of Qiqihar Municipality, Heilongjiang, was 84.08 million yuan, which amounted to 62.6 percent of its annual revenue plan this was 30.6 percent higher than in the corresponding 1979 period. It is estimated that Qiqihar will overfulfill its annual revenue plan. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 14 Oct 80 SK]

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ENERGY

XIZANG DEVELOPS GEOTHERMAL ENERGY

Beijing JIEFANGJUN HUABAO [LIBERATION ARMY PICTORIAL] in Chinese No 10, Oct 80 p 2

[Excerpt] At the edge of the foothills of Mt Nyainqentanglha, which is snow covered year-round, and approximately 90 kilometers northwest of the city of Lhasa, is the broad and flat expanse of the Yangbajain Basin. In the middle of the basin is the famous Yangbajain thermal field.

Legend has it that long, long ago the mist would spread out like a vast expanse of gossamer every morning over the broad hot-water lake in the eastern part of the thermal field. At this time, the beautiful wives and daughters of the god of Mt Nyainqentanglha would come to the lake to bathe. It was also said that the god of the mountain had a golden lantern, and if he was happy he would hang it high over the lake, so the light from the lantern would illuminate the lake, the thermal field, and the snowy mountain, whereupon Yangbajain would be transformed into an earthly paradise, with fresh flowers blooming everywhere and myriad birds singing in chorus. However, in the eternal dark age that was ancient Xizang, the god of the mountain was never happy, and the herdsmen of the Yangbajain Basin were forever bemoaning their bitter lot.

In 1951, Xizang's history turned over a new page. The party Central Committee sent a geological survey team along with the advancing PLA. Led and motivated by China's eminent geologist Li Siguang, the geological workers carried out a number of extensive scientific surveys of the Yangbajain thermal field. In March of 1975, the first thermal well on the Chinese mainland was completed here. Surveys have shown that the natural flow of Yangbajain is 107,300 kilocalories/second, and the heat emitted every year is equivalent to burning 470,000 tons of standard coal. In addition to power generation, this geothermal energy can be widely used in industry, agricultural sidelines, and in the people's lives. In September of 1975, Comrade Hua Guofeng led a Central Committee delegation to Xizang, and gave instructions to "complete the Yangbajain geothermal power station as quickly as possible." Group after group of Chinese and Tibetan technical personnel and workers came here from Beijing, Qingdao, Sichuan, and various places in Xizang, and dozens of retired PLA soldiers volunteered to come to Yangbajain. They cooperated closely and strived selflessly for the early completion of the geothermal power station.

The thousand-year-old myth has finally become a reality. In October of 1977, a trial geothermal power station with an installed capacity of 1 million watts was completed and went into operation. The "golden lantern" that people had dreamed of was finally hanging over the thermal field.

CSO: 4006

ENERGY

BRIEFS

JILIN POWER OUTPUT--Compared with the corresponding 1979 period, Jilin Province increased its power output by 989 million kwh in the first 9 months of 1980. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 10 Oct 80 SK]

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BALANCE BETWEEN SELF-RELIANCE, FOREIGN BORROWING VITAL

Shanghai CHUANBO GONGCHENG [SHIP ENGINEERING] in Chinese No 3, 1 May 80 pp 5-7

[Article by Shen Yurui (3088 1471 3843): "Self-Reliance and Introduction of Technology in the Work of Developing Power for Ships"]

[Text] After liberation, our nation's shipbuilding industry achieved great development under the care of the party and government. The ability to build ship hulls and facilities for the scientific study of ship's hulls were grasped earlier and have some foundation, but the development of power for ships has always lagged behind the needs of the situation. This situation exists in common in the aviation industry, the automobile industry, and other transportation industries. As people have often said, these industries suffer from "heart disease." There are many reasons why such a phenomenon has occurred. The main reason, of course, is due to the interference of the mistaken policy line, but it cannot be denied that there has been a lack of forceful measures and relatively uniform recognition in developing the power industry and other scientific research in actual work. For the past more than 30 years since the war, man has entered an era in which science and technology have developed in leaps, and power machinery has been no exception. New types of high-power military and transport machinery have emerged continuously. Old types have been renovated over several generations. All of these have been realized abroad on the basis of a systematic, socialized, and strong and forceful exploration and development of scientific research and technology. Our nation's power industry for ships began during its early stage of development by copying Soviet models. This was entirely necessary. But during the same period of copying, a complete system for establishing our nation's own basic scientific research and research for the development of products was neglected. Thus for a long time the industry copied and no improvements were made. Scientific research work also lacked forceful measures. Progress was slow. Basic research was scarcely carried out at all. In particular, Lin Biao and the "gang of four" seriously sabotaged our nation's scientific and technological efforts at the key moment. Leadership of scientific and research work was controlled by some seemingly true but actually false "theories." The relationship between scientific research and production was confused and chaotic, and therefore a normal productive relationship beneficial to the development of science, technology, and production has not yet been formed. For the past 20 to 30 years, foreign nations have advanced from effective basic scientific research to the research and development of industrial products, even attaining a whole set of experiences in mass production. Because of the xenophobic ideology of the "gang of four," very few people conscientiously studied and analyzed

these. The building of scientific research facilities and bases for the research and development of new industrial products in our nation's power industry for ships has always lacked an overall plan. Scientific research work for plans which could have been implemented according to the actual situation lacked unified leadership, the forces were scattered, and the "punch" could not be formed. This is an important reason why motive power for ships is still backward.

Introducing technology is an important policy of economic technology. At the beginning of the founding of the nation, introduction of technology by copying the Soviet Union was done on a large scale. But for a long period, imperialism locked us out from technology; as long as the technology had anything at all to do with the military, it was not allowed to be exported. The Soviet Union betrayed its promises and tore up its own contracts and were expert at withdrawing. Faced with this kind of historical situation, the people of our nation answered the call by the party, drummed up their working spirit, strived forward, became self-reliant, struggled to become strong, established ambitions, set goals, tried to surpass the world's advanced levels, and carried out research and design work in all aspects, based upon the principles of "being independent, being one's own master, being self-reliant, and relying on one's strength." Even though there was little experience and conditions were poor, the speed of the development of technology from the pioneering sciences to the ordinary sciences was unprecedented. Without the serious sabotage by Lin Biao and the "gang of four," achievements would have been even greater. During this period, the method of carrying out research and development in a self-reliant manner was correct. Now, many scientific and technical personnel look back at the mid-1960's and see that our nation's science and technology developed prosperously. Scientific and technical personnel were enthusiastic and worked day and night continuously. All of them remember this scene vividly. During that time they conscientiously and enthusiastically studied any foreign materials they could obtain, and they tried every way to apply the learned information in their own research and design.

After the mid-1960's the "gang of four," trying to realize its goal of usurping the party and seizing power, illegally used the pretense of "independence, being one's own master, self-reliance, and relying on one's own strength" to carry out the reactionary policy of "parochial arrogance and closing the country to international intercourse." The accusation of "slavish comprador philosophy" was used indiscriminantly. This kind of reverse activity had nothing in common with the policy, advocated by Comrade Mao Zedong, of "being independent, being one's own master, being self-reliant, and relying on one's own strength." On the contrary, for the past decade and more, the "gang of four" caused the system in industry and in scientific research work to become lax. Quality dropped, seriously damaging the reputation of research and designs realized by ourselves. In addition, the "gang of four" authorized "rules of dictatorial rule," preventing the nation from drawing up a unified plan and setting up leadership for the development of industrial products, thereby causing forces to disperse and creating a confusion of models of machinery; "research and development" frequently sought quick success, and basic research was neglected, resulting in haste makes waste. These negative experiences have caused some comrades today to totally negate previous achievements. They regard the introduction of technology as a measure to "correct" these mistaken inclinations. They place the introduction of technology up against their own research and development, and neglect to conscientiously summarize the experience and lessons of the previous period for facilitating a comeback.

Introduction of technology is like everything else—it is two-sided. It is in opposition to the policy of "self-reliance and relying on one's own strength," but it is also in unity with that principle. Introducing advanced technology means hastening "self-reliance," so that industrial investments can develop their functions quicker and our own research and design work can begin from a more advanced basis. Especially after the introduction of technology, machinery that we have developed by ourselves must take the world's advanced level as the goal of research and development; otherwise the machinery will not survive in the international market. This serves the important function of stimulation. But if this is not handled properly, the wide effects due to the introduction of technology will hinder "self-reliance". According to Japan's experience and to the comments on the road Japan has followed, the main side effect of the introduction of technology is that management and technical personnel easily come to depend upon foreign nations and even adopt the attitude of blindly believing in foreign nations, thus weakening the efforts of the nation itself to be creative. Imitation takes up too much of the forces of production and technology and takes away a forceful support for developing the nation's own technology. This easily causes a neglect of basic research and prerequisite research, and industrial technology cannot free itself from the old path of foreign technological development. These side effects did occur during the beginning period of our nation's industrial development. Therefore it is hoped that, when we arrange the relationship between the introduction of technology and our own research and design, these side effects will be avoided.

The introduction of technology also involves political factors, because when making deals with technologically advanced capitalist nations, there is nothing that is not related to politics and to economic benefits. Technologically advanced nations will never willingly let us surpass them. They are also progressing and are progressing on a foundation that is much stronger than ours. If we abandon efforts to strengthen our nation's own scientific research and industrial foundations, if we do not dare to be creative in technology, if we do not walk our own road of technological development, the gap will become greater and greater. By buying patent rights, we can introduce only those products that have already become commercial items on the international market. These products are generally the results of 5 to 10 years of research and development, and the research and development procedures are generally "commercial secrets" that do not accompany the patent diagrams and documents. Products of the next generation which are being researched and developed are even more tightly guarded secrets. Even in the capitalist world, those countries that are politically and economically very close allies still scheme against each other in the introduction of technology. Each wants to use the other and also wants to prevent the other from surpassing it and wants to stay in the lead. During the beginning of the 1960's, Japanese technical journals frequently published many articles criticizing Japan's simplistic dependence upon the introduction of foreign technology since the Meiji Reformation and its neglect in developing the nation's own scientific research. After the mid-1960's, Japan greatly strengthened the investment and the forces in domestic research and development work. In recent years, the latecomer has taken the lead in some scientific and technological fields. This is not by chance. But even so, Japanese scientific and technological circles still believe: "To judge the level of technology of a nation, one must not only look at what kinds of technology it has and uses, but more important what processes it uses to grasp this kind of technology. A high level of technology can be reached only by developing unique and creative technologies on a firm and solid scientific foundation." As our nation learns the

experience of Japan's efforts to import technology, we must also take their lesson as a warning. We must establish in time a complete system of our own nation's scientific research and development of products and strengthen our nation's own "independent and autonomous" research and development work.

From the point of view of training talent, those who can truly think independently according to the actual situation, and those who can create and invent, must depend mainly upon working on their own research and design. The experience of foreign nations must be learned. This is one thing. But there is another thing, which is to check other people's experience in one's own experience, to take in the things that are useful but reject those that are not useful, and to increase the things one owns. The conclusions concerning war reached by Comrade Mao Zedong are entirely applicable to scientific and technological work. Imitation of design introduced from foreign countries in industrial production must emphasize true imitation. At first, everything should be done accordingly; otherwise, production will not have any order, and the more changes the product undergoes, the more chaotic will the situation become. But scientific research work must not be complete copying. Independent thinking must be promoted. Even in digesting information introduced from abroad, the work must be selective; it is unnecessary to carry out exactly the same research. In developing our nation's own models, it is not necessary to follow the old path traveled by others already in structure. Although the diesel engine is a kind of relatively mature machinery product, in recent years a new trend in its development has emerged because of the inundation of the combustion and rotary engines. Yet development of the combustion and rotary engines is still alive. Also, in the development of aeronic work, the closed-cycle heat engine also has a broad future for development. As long as we liberate our ideology, enliven our spirit, shake off blind beliefs and the sense of relying on others, develop the glorious spirit of revolutionary creation of our nation's people, and develop the spirit of hard work in actual work and the scientific spirit of seeking truth from facts, there will be a bright future.

The development of any kind of new technology must undergo a process of growth from imperfection to perfection. As technology develops, it again progresses from perfection to imperfection. Research and development of new industrial products must be continually researched and improved. After relative perfection has been reached, the model of the product is fixed and the product enters into industrial production. But after the form has been established, research for the next generation of products continues without stop. Thus the product is continuously renovated and substituted. Only in this way can products suit the present world trend. Replacement of military products goes on even faster. According to U.S. statistics, the average life of a product is 2 to 5 years. Therefore, depending on foreign nations for research into and development of military products is very dangerous. This does not mean that learning from foreign nations is not needed for producing military products. At any time, foreign nations will have something better than what we have, but learning is one thing, and tightly grasping the initiative in technological development is another thing. Otherwise, when international exchange ceases, technological development will suddenly cease. The lesson of Japan in World War II should be taken as a warning.

At present, development of research and design work on our own is still difficult because of the lack of an organized system favorable to the rapid implementation

of scientific and technological development and new technologies in industry and a unified recognition. Since the national science conference, the state has obtained a clear view in theory concerning the question of basic theoretical research and the opening up of new technological fields, by criticizing the "gang of four." Also, a long-term plan for the development of basic and technological sciences has been drawn up. This is a welcome phenomenon. But ideological recognition concerning the question of research and development of ordinary industrial products is still not consistent. At present, the international situation is favorable to the introduction of technology, and those technologies which truly are urgently needed in our nation should be introduced into our nation as much as possible (it is more important to introduce into our nation the advanced technologies and methods of scientific management of foreign nations than to introduce product designs into our nation). The work of introducing technology must be done better, so as to call upon scientific and technical personnel to exert efforts to grasp advanced technology. But at the same time, this favorable situation must be utilized in order to hasten the establishment of our nation's scientific research facilities for our own independent research and development and of industrial bases of scientific research, and to train a Red and expert team. The technological capabilities of this team must be capable of independent thinking and continued development of new equipment according to the actual needs of war when, during time of war, international technological exchange is cut off. This question, it seems, still needs to be solved.

9296
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TITANIUM ALLOY HYDROFOIL PROVES SUPERIOR TO STEEL

Shanghai CHUANBO GONGCHENG [SHIP ENGINEERING] in Chinese No 3, 1 May 80 pp 17-23

[Article by Yu Tong (0060 1749) and Wang Chunmao (3769 2797 2021): "Titanium Alloy Hydrofoil"]

[Text] I. Foreword

Titanium alloy has a low specific gravity, a high specific strength, good resistance against erosion by seawater, is easily welded, and is a superior type of structural material for ships. Our nation has very rich reserves of titanium. This has provided favorable conditions for the application and development of titanium alloy. To utilize this new material in the shipbuilding industry, we have selected the titanium alloy hydrofoil as a typical product for research and development to solve the problems in titanium alloy processing technology. We have also examined its superior properties and shortcomings in actual application in the ocean.

The working environment of the hydrofoil of a hydrofoil craft is harsh. Thus, the demands upon the properties of the materials are higher, the materials are complex in structure, and processing is relatively more difficult. Therefore, through the construction and the use of titanium alloy hydrofoil, a correct evaluation can be obtained to determine whether or not titanium alloy can be used in the shipbuilding industry.

The titanium alloy hydrofoil was successfully developed in 1969 with the help of concerned research and design institutes and the Hudong Shipyard. After 10 years of actual use of the vessel, the results have been good and the predetermined goal has been reached.

II. Properties of Materials for Hydrofoil

Different brands of titanium alloys have vastly different strengths. According to the demands upon the properties of hydrofoil materials, we selected the alpha single-phase TA5 alloy of medium-strength titanium alloy for the conducting of experiments and for trial use on an actual vessel.

1. Dynamic Properties

The actual measured values of the dynamic properties of the TA5 titanium alloy and the dynamic properties of the TC4 titanium alloy of higher strength have been compared.

In the construction of the hydrofoil, TA5 titanium alloy panels 14 and 40 millimeters thick and forgings of a wall thickness of 50 millimeters were used. The hot-rolling temperature of the 14-millimeter panel is relatively low (about 930°C). After annealing, the panel has an isometric crystalline structure with good plasticity. The hot-rolling temperature for the 40-millimeter panel is higher (about 1100°C). It is not annealed. It has a coarse, acicular structure with remnant crystalline border, or a sawtooth type of structure. Its plasticity is relatively low. Consideration was given to the fact that hydrofoil materials do not require high plasticity, and therefore hot-rolled panels were used.

The specific gravity of the TA5 titanium alloy is 4.43 g/cm^3, and its specific strength is about 13.9 $kg/mm^2/g/cm^3$--1.7 times the specific strength of 0.22 steel (8.15 $kg/mm^2/g/cm^3$).

The weakness of the TA5 titanium alloy is that it has a relatively low modulus of elasticity E.

2. Property of Corrosion

(1) Stationary seawater corrosion

The resistance of 922 steel to corrosion by seawater is very poor. A 3-year sample waterline test showed an average rate of corrosion of 0.17 mm/year. The anticorrosion of the TA5 titanium alloy is very good. It basically did not corrode in 3 years.

(2) Destruction due to submergence of empty vessel

The experiment of destruction due to submergence of the empty vessel was performed on the rotary plate and magnetostriction testing equipment. The medium for the experiment was natural seawater.

The resistance of TA5 to destruction due to submergence of the empty vessel is superior to that of 921 and 922 steel.

(3) Erosive corrosion from seawater

The anticorrosion quality of TA5 in seawater at high speeds is very good. Natural seawater flowing at a velocity of 8.5 (meters/second) parallel to the surface of the test sample in an erosion test for 30 days did not cause any corrosion. The average speed of corrosion over a 148-day period was 0.00016 (millimeters/year). Natural seawater flowing at a velocity of 13.5 (meters/second) perpendicular to the surface of the test sample in an erosion test for 116 hours did not visibly affect the surface.

(4) Contact corrosion

The electrolytic electric potential of TA5 in contact with saturated mercurous chloride electrode in natural sea water is +0.09 volt, higher than other metals. But because titanium polarizes very easily in seawater, the electric potential quickly drops from a higher value to the level of ordinary carbon steel. Therefore, the electric current of corrosion produced by contact between titanium alloy and other metals is not great, and accelerated corrosion is not strong. The results of laboratory tests of contact corrosion show the effects of TA5 titanium alloy and 922 steel upon LY16AT aluminum alloy and 902 steel are similar.

(5) Clinging sea life and corrosion

Titanium alloy does not have the ability to prevent tarnish by such sea life as bryophytes, spiral shells, balanus amphitrite, oysters, calcareous sea creatures, and hydra. Sea life clining to titanium alloy can be removed more easily than from steel. The surface of the titanium alloy after removal of sea life which had clung to it for 5 years was still shiny, and there was no trace of corrosion or clinging.

3. Toughness Against Breaking, and Speed of Expansion of Cracks

The value of the stress factor of K_{1c} measures from a test sample of a bent piece of TA5 titanium alloy with three supporting points was 310 kg x $mm^{-3/2}$. The value of the stress factor of K_{1scc} in 20°C of natural seawater measures by the suspended stress and corrosion testing instrument was 230 kg x $mm^{-3/2}$. The speed of expansion da/dN of cracks of the test sample of a bent piece of TA5 titanium alloy with three supporting points was measured by the flexibility method on the vibration and fatigue test instrument. The increment ΔK of the stress factors is between 20 and 250 kg x $mm^{-3/2}$. The speed of expansion of cracks is divided into two sections:

The first stage

Upper limit: $da/dN = 1.79 \times 10^{-14} \Delta K^{5.95}$ (mm/cycle)

Lower limit: $da/dN = 2.65 \times 10^{-14} \Delta K^{5.95}$ (mm/cycle)

The second stage

Upper limit: $da/dN = 2.16 \times 10^{-9} \Delta K^{2.87}$ (mm/cycle)

Lower limit: $da/dN = 0.86 \times 10^{-9} \Delta K^{2.87}$ (mm/cycle)

If $da/dN = 10^{-7}$ (mm/cycle) is taken as zero expansion, then the critical strength factor of fatigue or the threshold value ΔK_{tn} is about 14 to 19 (kg x $mm^{-3/2}$).

4. Properties of Fatigue

The TA5 titanium alloy was subjected to high-cycle and low-cycle fatigue tests.

High-cycle rotation and alternate bending fatigue test: The corrosive medium was natural seawater (shower); the number of cycles was 10^7 times. The σ_{-1} of 922 steel was about 13 (kg/mm^2); the σ_{-1} of TA5 was about 26 (kg/mm^2).

Low-cycle fatigue test: The stress cycle frequency was 120 times/minute, rotating asymmetrically and in one direction. When the fatigue stress is 0.8 $\sigma_{0.2}$, the lifespan is 3×10^4 rotations; when the fatigue stress is 0.5 $\sigma_{0.2}$, the lifespan is greater than 30×10^4 rotations.

III. Processing Properties of TA5 Titanium Alloy

1. Machine Processing

The hardness of TA5 titanium alloy (H_b) is 220 to 260, and the alloy has good properties for processing. Using hard alloys or high-speed steel knives and cutting equipment, and with an appropriate cutting speed and cutting amount, the TA5 alloy can be easily lathed, milled, planed, drilled, broached, and cut.

A pneumatic grinding wheel and an ordinary grinder can grind TA5 alloy. It can be cut by a high-speed steel saber especially treated by pure fire--tempering process or a pneumatic milling cutter fitted with a hard alloy blade.

2. Cold Straightening and Hot Straightening

The TA5 titanium alloy can be cold-straightened. Its resilience is greater than that of structural steel.

When the TA5 titanium alloy panel in the annealing state is heated by an oxygen-acetylene flame to 1000°C and then cooled, the isometric crystalline structure is changed to an acicular structure. This does not greatly affect the properties of the panel. When the TA5 titanium alloy panel in the hot-rolling state is heated by the oxygen-acetylene flame to 1000°C and then cooled, the structure of the panel and the properties do not visibly change. Therefore, the TA5 titanium alloy can be hot-straightened. But when the titanium alloy is heated to a higher temperature, the crystalline border and the inner part of the crystals oxidize. Thus, the heating time should be shortened as much as possible.

3. Flame Cutting

Titanium alloy can be easily cut by an oxygen-acetylene flame, and a clean cut can be obtained. The width of the region affected by heat: 5 mm on the upper surface near the flame; 1 to 2 mm at other places; about 5 mm at the cut.

4. Welding

Titanium alloy under high temperatures (>600°C), and especially in a melted state, reacts very easily with oxygen, nitrogen, and hydrogen in the air. Its properties thus worsen. Therefore, welding must be done under the protection fo inert gases. The TA5 titanium alloy has good properties for welding. It can be argon-welded by

hand and can also be automatically arc-welded with tungsten electrodes and melting electrodes.

Because the linear energy of automatic welding is much greater than that of hand welding, a protective shield should be placed behind the mouthpiece to prevent oxidation of the welded seam. The back of the welded seam should be reliably protected by an inert gas to assure the high quality of the welded seam.

Because the titanium alloy has a small specific heat, its heat conduction is poor. To prevent high-temperature oxidation, overheating, and enlargement of crystals at the welded seam and in the region affected by heat, welding techniques with small linear energy parameters should be used as much as possible.

The welding of the TA5 titanium alloy hydrofoil used the TA4 titanium alloy filament for soldering. The strength of the welded seam was equal to the alloy body. In the tensile test of the seam, the sample broke off but the welded part remained intact. The metal used to solder the seam was acicular alpha prime in structure. Results of the rigid butt cracking resistance test were good, and cracking did not occur.

IV. Assembly--Welding of Titanium Alloy Hydrofoil

The plan to assemble-weld the auxiliary hydrofoil of titanium alloy at the bow and the tire fixtures is the same as when constructing with steel, but welding must follow manual argon arc-welding procedures.

Welding of the main hydrofoil was done by the Hudong Shipyard using two methods. According to past experience, after the welding, the two tips of the hydrofoil bend upward. Because deformation of titanium alloy panels due to welding is more serious than in the case of steel, and because part of the horizontal wings of the titanium alloy hydrofoil has been changed to a hollow structure (while steel hydrofoil is solid), deformation is very hard to correct. To reduce as much as possible the deformation of titanium alloy hydrofoil due to welding, an assembly-welding plan was used. The hollow horizontal wing is connected by three supports at three joints. The advantage of this plan is that the original asymmetrical fillet-welded seam is changed to an upper and lower symmetrical butt-welded seam (symmetrical horizontal wings) and a left and right symmetrical butt-welded seam (symmetrical supports). In the welding process, the upward and downward and left and right deformations of the hydrofoil and the supports can be controlled or corrected by welding lines, thus reducing the possibility of deformation. The tire frame is of rotary design to avoid overhead welding and to assure welding quality.

In the general assembly and welding of the main hydrofoil, all parts should be pressed down tightly by pressure plates for a fixed rigidity to reduce deformation. Because the horizontal wing of the main hydrofoil is a variable cross-section and is hollow in structure, differences in thickness at different places are vast, and therefore welding techniques of different parameters must be used for different places. At thin cross-sections, thin filaments and a small current must be used, and at thick places, thick filaments and a large current must be used.

After all parts have been welded, the deformation at all places must be measured. The results show that the distance between side supports is 6 to 11 millimeters greater than the standard values. The distances between the central support and the plane of the central line of the vessel in the front and in the back are 3 millimeters and 0.5 millimeters respectively. The greatest deviation (unevenness) between the pressure plane of the horizontal wing and the base level plane is 4 millimeters. All of these are within the margin of error allowed and satisfy the specification demands. The deviation of the solid horizontal wing on the left is 4.5 millimeters, greater than the specified allowable deviation of 4 millimeters, but the area is not large and there is not much overage. This can be adjusted during installation, and it will not affect use.

The shape and dimensions of the titanium alloy completely satisfy the original standard specifications for the steel hydrofoil. The weight of the titanium hydrofoil is comparable to that of the steel hydrofoil.

V. Test Run and Use of Titanium Alloy Hydrofoil

The titanium alloy hydrofoil was installed on a vessel for testing in November 1969.

Before the titanium alloy hydrofoil was installed in place of the original, the hydrofoil craft underwent a velocity test in a stationary body of water. After the titanium alloy hydrofoil was installed, the craft not only underwent a velocity test in stationary water but also underwent three navigational suitability tests. Turbulence of the sea at the time of the tests was from 3 to 4 on the turbulence scale. During the second navigational test, the surge of waves was long and great. The craft frequently lifted into the air and flew through the waves. Under heavy slapping by the waves, the craft shook violently and the titanium hydrofoil underwent a severe test. In the third navigational test, the waves registered only 3 on the scale. Even when the craft traveled at top speed, slapping against the craft was not as heavy as during the second test. The hydrofoil seldom lifted from the water. The auxiliary hydrofoil at the bow was frequently above water. Passengers in the craft did not feel too bad.

The craft was inspected at regular intervals. The surface of the titanium hydrofoil was shiny, and there were no traces of any corrosion. The welded seam was intact; only a slight crack was found in the welded seam at the tip of the wing. The crack was removed by a file, and the craft continued its navigational test.

VI. Conclusion

Up to the present, titanium alloy hydrofoil has been in actual use on vessels for 10 years, with about 730 hours of navigation. According to our examination, the characteristics of titanium alloy can be summarized as follows:

1. Titanium alloy is strong and hard, and it is not easily damaged or deformed. In particular, when it is in motion and comes into contact with foreign objects, it shows its superiority even more. For example, the test craft once made a forced beach landing. The craft was inspected after the incident, and the titanium hydrofoil was completely undamaged. Another steel hydrofoil craft made a forced beach landing, and the steel hydrofoil was partially damaged and deformed.

2. Installation of the titanium hydrofoil in place of the steel [hydrofoil] lessened the weight of the craft and raised the navigational speed by about 4 knots.

3. Titanium alloy tolerates corrosion well. After 10 years of use of the titanium hydrofoil, the surface was still shiny as before, and there were no traces of corrosion or erosion due to submergence of the empty vessel. The scales on the surface of the welded seam could still be clearly recognized. The shape of the titanium hydrofoil did not show any visible change. On the other hand, steel hydrofoil corroded severely, and the surface was dented and uneven. Especially serious was the fact that the support bracked had rusted away and its original shape could not be recognized.

4. Maintenance and care of the titanium hydrofoil are simple. The titanium alloy does not prevent tarnish. To prevent sea life from clinging, a preventive coating of paint must be applied to the surface. Even if a coat of paint is not applied to counter tarnish, sea life clinging to the body can be removed relatively easily, because the titanium alloy basically does not corrode and the surface remains shiny and even.

5. Titanium alloy has a relatively small modulus of elasticity, about half that of steel. The main hydrofoil has already been changed to a hollow structure, so the rigidity index of the titanium hydrofoil is much smaller than that of the steel hydrofoil. But in practice, no visible deformation has been discovered. On vessels equipped with different hydrofoils, the crew members feel almost the same.

6. Slight cracks have occurred at the welded seams of the titanium hydrofoil. These cracks were not at the places under the greatest pressure but were at the tip of the joint between the side support and the supporting bracket. This place is very thin, is on the rim, and is not easily protected during welding. The metal used in the welded seam became brittle due to oxidation. When the crack was repaired, the place at the tip and the transient circular arc were appropriately thickened, thus eliminating the crack. To prevent the occurrence of cracks in the future, protective measures must be strengthened when welding this type of thin cross-section on the rim. At the same time, the design should be improved to make the structure even more rational.

7. The laboratory experiment for contact corrosion shows that the accelerated corrosion of TA5 and 922 steel upon aluminum alloy and 902 steel is the same. Actual navigational tests show the accelerated corrosion of TA5 titanium alloy upon pure aluminum is greater than 922 steel. The pure aluminum bearing plate between the bracket plate of the support of the titanium alloy hydrofoil and the body of the craft corroded very seriously, while the bearing plate of the steel hydrofoil corroded less seriously. Therefore, attention should be paid to the insulation between the pure aluminum contact surface and the titanium alloy.

In summary, the development and manufacture of the titanium alloy hydrofoil have been successful and satisfactory. Titanium alloy used to manufacture hydrofoil has more advantages than does structural steel. In particular, the superiority of titanium alloy is more apparent when it is used to construct deeply submerged hydrofoils and hydrofoils of such craft with large displacement.

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INDUSTRY

BRIEFS

TV SET PRICE REDUCTION--Effective 7 October 1980, the "unified" prices of black and white and color television sets manufactured in China will be lowered in Shandong Province. The price of a 16-inch B&W television set fitted with Chinese-made tubes will be reduced from 721 to 567 yuan, and the price of a B&W 19-inch TV set will be reduced from 824 to 649 yuan. The price of a 19-inch TV set with imported tubes will be lowered from 876 to 690 yuan, and the price of a 20-inch color TV set with imported tubes will be lowered from 2,470 to 2,060 yuan. [Jinan DAZHONG RIBAO in Chinese 15 Oct 80 p 1]

GUANGDONG INDUSTRIAL DEVELOPMENT--The total value of Guangdong's industrial output now is 32 times greater than in 1949. The number of counties and municipalities with an annual total industrial output value of more than 100 million yuan is 29, including: Guangzhou, Shaoguan, Foshan, Jiangmen, Shantou, Zhanjiang, Maoming, Haikou, Zhaoqing and Chaozhou municipalities and Panyu, Chaoan, Chaoyang, Jieyang, Lufeng, Meixian, Xingning, Dongguan, Zongshan, Shunde, Xinhui, Nanhai, Taishan, Kaiping, Lechang, Yingde, Qujiang, Yangjiang and Yangchun counties. The number of townships with a total industrial output value of over 100 million yuan is 5. In 1949, there was no county or municipality except Guangzhou whose total industrial output value exceeded 100 million yuan. However, the total value of Shantou Municipality's industrial output alone is now equal to the total sum of the whole province's industrial output value in 1949. [Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 2 Oct 80 HK]

ANHUI COMMODITY CIRCULATION--In his report to the Fifth Meeting of the Standing Committee of the Fifth Anhui Provincial CPPCC Committee on 20 October, (Li Jixiang), deputy director of the Anhui Provincial Financial and Trade Office, said that an urgent task for Anhui now was to improve commodity circulation so as to expand commodity production and stimulate the province's economy. He proposed 8 measures to improve commodity circulation including a measure laying down that, except 11 major industrial products, all light industrial products should be freely sold and bought without quota system and that price control should be flexible. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 21 Oct 80 OW]

HEILONGJIANG LIGHT, TEXTILE INDUSTRIES--Light industrial and textile enterprises in Heilongjiang have accelerated their production. In the first 9 months of 1980, their total output value increased by 28 percent over the figure in the corresponding 1979 period, while the total output value of heavy industrial enterprises increased by 0.4 percent. The light industrial and textile enterprises prefulfilled their annual profit plan by 3 months, earning 61 percent more profits than they did in the January-September period 1979. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 14 Oct 80 SK]

CSO: 4006

CONSTRUCTION

BRIEFS

LIAONING TERMINAL PORT BUILDING--The five-story Dalian Port terminal building, designed and constructed by Chinese, has been completed. A 10-story high tower on the building is designated as an electronic computer room and on top of the tower are 3 automatic clocks. The total acreage of the building is 17,400 square meters. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 15 Oct 80 SK]

LIAONING CITY CONSTRUCTION--Shenyang Municipality promulgated new measures on city construction 17 October, urging control of the development of big cities and encouraging construction of small cities and towns. The city population in Liaoning Province is supposed to be kept at under 2.5 million in 1985. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 17 Oct 80 SK]

TIANJIN HOUSING CIRCULAR--The Tianjin Municipal Government issued a circular 9 October on dismantling temporary houses. The circular states: 1) Temporary houses built by any units or individuals without the approval of district administration bureaus must be dismantled; 2) District urban construction bureaus must dismantle all houses built in public places or on streets; 3) Houses not dismantled within the deadline must be dismantled and their owners be fined 10 to 20 yuan a day; 4) Those violating these regulations will be educated, warned, fined, detained or given criminal sanctions according to the seriousness of their cases; 5) The circular on dismantling temporary houses issued by the former municipal Revolutionary Committee on 8 May 1979 is valid; 6) Pertinent departments should cooperate with district governments in the implementation of the circular and; 7) All departments, organizations and enterprises should educate their staff and workers to obey the relevant regulations. [SK240637 Tianjin City Service in Mandarin 0030 GMT 18 Oct 80 SK]

TIANJIN HOUSING PROBLEM--The Tianjin Municipal People's Government held a meeting at Tianjin University on 22 Oetober to mobilize residents of living quarters at Tianjin's three major universities to dismantle their temporary houses and move to new houses built for them. Mayor Hu Qili addressed the meeting. He promised that the municipal CCP committee and people's government would do their best to solve problems in the people's daily lives and urged them to take the interests of the whole into account and cooperate with the government. Representatives of the school residents pledged to evacuate their temporary houses by 10 November. [SK230954 Tianjin City Service in Mandarin 0030 GMT 23 Oct 80 SK]

TIANJIN DORMITORY PROBLEMS--Allowing people to raise funds and arrange materials and labor for the construction of workers dormitories is an effective way to bring every positive factor into play to accelerate urban housing construction. However, in the course of covering such activities, this reporter has heard complaints from many quarters. People have said: "This work faces layers upon layers of barriers. Sometimes it is accomplished only by bribery. People have much to worry about in this work." Why are the people worried? The general view is that there are no specific regulations governing dormitory construction. When a construction project is approved by one department, it is later rejected by another. Words often replace policies. Others complain about the elaborate procedures to get a project approved, weak organizational leadership and the unavailability of building materials and land. Many units are appealing to the municipal departments concerned to strengthen their leadership over the people's construction of workers dormitories, to enact relevant policies, to improve the management and to simplify the procedures in order to accelerate the construction of such dormitories." [Excerpts] [SK241125 Tianjin City Service in Mandarin 0030 GMT 24 Oct 80]

CSO: 4006

LABOR AND WAGES

BRIEFS

NEI MONGGOL BUSINESSMEN-INDUSTRIALISTS FEDERATION--The Second Standing Committee Meeting of the Fourth Nei Monggol Regional Federation of Businessmen and Industrialists was held between 7 and 9 October in Hohhot. The meeting heard a report on the work of the federation and discussed work in the future. The meeting contended that helping the party and government develop collective economy and place jobless youths is of great significance to develop production, invigorate market and consolidate and develop the political situation of stability and unity. Former businessmen and industrialists should give full play to their special knowledge and experiences in managing small and medium-sized enterprises. Efforts should be made to mobilize and organize them to run all kinds of collective enterprises and labor service trades. [SK210711 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 14 Oct 80 SK]

CSO: 4006

TRANSPORTATION

IMPORTANCE OF INLAND WATER TRANSPORTATION EXPOUNDED

Beijing RENMIN RIBAO in Chinese 29 Aug 80 p 3

[Article by Pan Jiahua [3382 1367 5478] and Qu Qiyun [4234 0796 6663]: "Many Problems With Inland Water Transportation"]

[Text] We recently visited concerned units of inland water transportation and felt that there are serious problems which are urgently in need of solution.

The natural conditions of this country are sufficiently favorable for inland water transportation. There are more than 5,800 natural rivers, with a total length of 430,000 kilometers. However, for a very long time, there have been plans to manage and utilize these natural rivers. Worse, the inland water transportation mileage has dropped from 172,000 kilometers in 1961 to 108,000 kilometers today. Not a few historically navigable rivers either are no longer navigable or are navigable only in sections seasonally.

Why cannot inland water transportation grow? The main reason has been a lack of understanding of its importance and consequently a lack of action and measures taken. Over the past 30 years, the basic construction investment on navigation routes over the entire nation (except for the Changjiang trunk line) has amounted to only 820 million yuan, equivalent to one-fortieth of investment in railroads. Due to lack of funds, many waterways could not be repaired, and as a result, navigational routes have become blocked by sedimentation and have been closed to navigation. The navigable course of some of the rivers has become narrower and narrower and the navigational power of the river weakened as a combined result of erosion, dumping of household refuse, and coal slugs. Other navigational equipment and installations cannot get proper maintenance, so waterway transportation cannot fully demonstrate its effects and benefits.

Secondly, there has been a lack of coordinated utilization of the water resources. Dams and docks along the length of rivers have been constructed in a haphazard fashion. Since the establishment of this nation, many river engineering projects have been accomplished, but the great majority of these projects belonged to single-item exploitation which neglected transportation completely. In recent years, more than 2,400 dams and docks which prevent navigation have been built on rivers all over the country. One-tenth of such construction has been made on important navigable waterways, and this has disabled many rivers for navigation.

The present management system presents another obstacle to inland water transportation. Except for the Changjiang, all inland rivers of this country are under the control of the local government. Thus, a river is artificially divided into many segments. Take the 847-kilometer-long section of the Xijiang between Nanning and Guangzhou for example. This river is quite navigable, but the river is managed by two different governments, with Wuzhou as their boundary. The freighters navigating this river on either section must stop at Wuzhou, unload, and then reload on the other section of the river. Thus, not only is the transportation time lengthened, but transportation costs are also hiked.

Inland river transportation is characterized by the large capacity it can handle and its relatively low cost. The load-carrying capacity of a ship is 3 to 8 tons per horsepower. It is 1 to 3 tons per horsepower for a train, and only 0.1 ton per horsepower for an automobile. Maintenance of a navigational route costs only one-third to one-fifth the cost of building a new railroad of the same length. Repairing waterways has other general benefits as well, including, for example, flood control, hydroelectric power generation, water transportation and irrigation. Take, for example, the section of the Beijing-Hangzhou Canal situated in northern Suzhou, which was repaired in 1958 with a total investment of 270 million yuan over a total length of 404 kilometers. A canal which used to be able to pass only wooden boats was transformed into a waterway on which 2,000-ton ships can navigate. Thus, the annual transportation volume increased to 17 million tons. In addition to this, it has achieved flood control of the area, guaranteeing the safety of 15 million mu of land and 7 million people in the Lixiahe area. It has also enlarged the irrigation area by more than 3 million mu and the drainage area reaches more than 1,000 square kilometers.

With the progress of construction of the four modernizations in this country, inland water transportation becomes more and more important. We would like to suggest that the concerned government department should plan a series of guidelines and laws to facilitate unified planning and unified construction, rational utilization of water resources, and management and maintenance of the rivers and waterways of this country. The existing dams and docks which prevent navigation should be redesigned and reconstructed, according to the urgency and complexity of the work, so that navigability of the rivers may be restored. The inland water transportation management system must also be reformed. A river should not be managed according to administrative divisions. At the same time, plans for artifically constructed canals must be carefully and aggressively made, in order to achieve step-by-step a navigational network which crisscrosses the nation. Let the inland water transportation play an even more important role in our modernization construction.

9113
CSO: 4006

BRIEFS

JIANGSU EXPRESS WATERWAY--An express waterway was recently established through No 6 opening of the Changjiang River bridge at Nanjing in order to speed up inland navigation. Test navigation between 15 and 17 October turned out to be very successful. Over the past 10 years, the only waterway between Nanjing Port and Shanghai is through the No 8 opening of the Changjiang River bridge. The new express waterway will not only speed up traffic but will also reduce accidents. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 17 Oct 80 OW]

CSO: 4006

BRIEFS

JIANGSU EXHIBITION--The Jiangsu Provincial Exhibition on the achievements in popularizing the "overall planning method" and the "optimum seeking method" opened at the Nanjing Workers Cultural Palace on 14 October. During last April and May, Hua Luogeng, famous mathematician and vice president of the Chinese Academy of Social Sciences, led a team of workers to Jiangsu to popularize the two methods, thereby vigorously promoting the movement to increase production and practice economy in the province's industrial and communications departments. By adopting these two methods, the province has saved 15.21 million kwh of electricity, 8,100 dun of fuel oil, 53,000 dun of coal, more than 2.5 million jin of grain and 2.28 million jin of cooking oil. Wang Binshi, member of the provincial CCP committee Standing Committee and vice provincial governor, has visited the exhibition and given specific instruction on popularizing the two methods. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 14 Oct 80 OW]

HEBEI REGULATIONS--The Hebei Provincial People's Government recently issued regulations regarding policy on developing urban commercial businesses. The regulations pointed out: It is necessary to provide more opportunities for collective businesses. Factories, mines, organs, schools and enterprises can run collective businesses or cooperatives. In order to promote urban commercial businesses. The Hebei Provincial People's Government also issued a circular, urging people's governments at all levels to relax policy and strengthen leadership over collective businesses. [Shijiazhuang Hebei Provincial Service in Mandarin 0430 20 Sep 80 HK]

HEBEI COUNTY ENTERPRISE MANAGEMENT--Qianxi County of Hebei Province has done well in implementing the profit contract system in industrial management reform in the first quarter of the year. However, the successful contract system was stopped in April and people were not allowed to sign contracts for the second quarter. This discouraged the workers and immediately lowered the production value and profits. Although the third plenary session encouraged people to emancipate their minds and carry out reforms, some comrades were still backward and were not bold enough to do so. Thus, development and reforms were hindered. This was why the successful profit contract system was stopped in Qianxi County. We must change such phenomena as soon as possible in order to reform state economic management. [Shijiazhuang Hebei Provincial Service in Mandarin 0430 GMT 21 Sep 80 HK]

CSO: 4006 END

JPRS 76800

12 November 1980

China Report

ECONOMIC AFFAIRS

No. 96

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12 November 1980

CHINA REPORT

ECONOMIC AFFAIRS

No. 96

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JAPANESE JOURNAL REPORTS ON DEVELOPMENT OF CHINA'S RESOURCES

Tokyo NITCHU KEIZAIHO in Japanese No 143 Mar 80 pp 54-69

[Text] II. Present State of Coal Supplies to Japan and Requests for Cooperative Development of Coal Fields

There are four coal fields supplying Japan: Kailuan, Zaotao, Datong and Huaibei. The first two supply raw coal and the latter two are suppliers of household [ippan] coal. Our cooperation is sought for development projects in Kailuan, Xishan (Gujiao), Yanzhou, Huainan coal fields as well as in Inner Mongolian Autonomous Region. The respective coal fields are described below:

1. Kailuan Coal Field

Kailian Coal Field is located in northeastern Hebei Province, 112 kilometers by rail from Qinhuangdao Harbor. Traditionally five coal mines--Tangshan, Majiagou, Zhaogezhuang, Linxi, Tangjiazhuang (Figure 3), formed the core of production. After the Liberation, exploratory drilling revealed that there was a submerged coal field underneath the Quarternary layer in the south field and the Lujiatuo and Fan'gezhuang mines were opened in a high-pitched drive for development. The Lijiatuo Mine has already begun production. In addition, new mines such as Qianjiaying and Songjiaying are currently in the process of being made operational.

Table 6 represents the stratigraphy of the said coal field. There are 17 seams. Operational seams are said to number five to six. As for the total thickness of these seams, Linxi Mine's seam is 13 meters.

The coal reserve (estimated reserve volume) in the above described operative mines is said to be 4.6 billion tons (1956 Kauluan Coal Mine Superintendent's Office). If the south field's coal reserve is included in the tabulation, the estimated reserve is thought to be about 10 billion tons.

Kailuan coal that goes to Japan at present is produced by the Linxi Mine. This mine has 6 operating seams: Seam No 5, 8, 9, 11 and 12. The estimated reserve volume is 220 million tons.

The supply to Japan currently coming from Linxi Mine is expected to come from the adjoining Lujiatuo Mine in the future. Lujiatuo Mine has submitted a coal sample to the Japanese iron manufacturing industry.

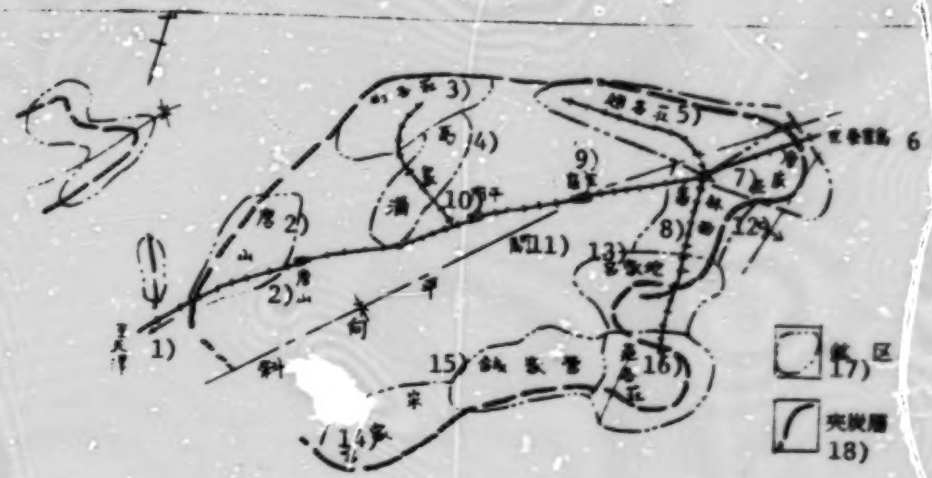


Figure 3. Location of the Kailuan Mine (sketch map)

Key:

1) To Tianjin
2) Tangshan
3) Jinggezhuang
4) Majiagou
5) Zhaogezhuang
6) To Qinghuangdao
7) Tangjiazhuang
8) Guzhi
9) Wali
10) Kaiping
11) Kaiping Syncline
12) Linxi
13) Lujiatuo
14) Songjiaying
15) Qinjiaying
16) Fan'gezhuang
17) Mining district
18) Coal measure

Table 6. Stratigraphy of the Kailuan Mine

Strata (Geological formation)			Coal Seam
Zone	Series	Group	
Permian Zone	Middle series	Tangjizhuang Group	third fourth
		Damiaozhuang Group	fifth sixth seventh eighth ninth tenth
Coal Age Zone	Upper series	Zhaogezhuang Group	eleventh twelfth
		Kaiping Group	fourteenth

The Lujiatuo Mine has eight proven coal seams and at present five beds are being worked. The estimated reserve volume is 550 million tons.

As indicated in Table 13, coal from this mine is a highly fluid, volatile bituminous coal. Ash content is 11.5 percent and rather high. However, the amount of high-grade coal in the raw coal is said to be 47 percent (sometimes, it is said to be 37 percent) and quite low. Even if we include secondary coal with high ash content--expected to be obtainable in the process of coal selection, the percentage [of high-grade coal] is thought to be 70-75 percent.

One of the projects for which cooperation between Japan and China is sought is the Qianjiaying Mine's development. The said mine is located still further south of Lujiatuo; and annual raw coal production of 4 million tons is expected here. The quality of coal is thought to be similar to that produced in Lujiatuo.

In 1975, Kailuan Coal Field produced 25.2 million tons. In July 1976 it was severely damaged by the Great Tangshan earthquake; and the production volume fell to 13 million tons in 1977. However, it recovered to 21.5 million tons in 1978. In the future, if Qianjiaying and Songjiazhuang join the production force, the Kailuan Coal Field's total output will become one of the largest in China.

2. Zaotao and Guanqiao Mines

Another name for Chinese coal is Zaozhuang coal. Traditionally, Zaozhuang coal was mined at Zaotao Coal Field's Zaozhuang Mine. But due to the ineffectiveness of the coal dressing machine, it was changed to 8.1 Mine from the adjoining Guanqiao Coal Field. Both fields are at the southern edge of the Shandong Mountains, 250 railroad kilometers from Lianyun Harbor.

Zaotao Coal Field has an east-west spread of 26 kilometers and north-south range of 4-14 kilometers. Guangiao Coal Field has a north-south spread of 10 kilometers and east-west range of 2.5 kilometers. Permian Period Shanxi layer is the major coal measure for both coal fields. There are 13 seams, 6 of which are in production. The chief seams are the No 2 Seam (9 meters) and No 3 Seam (1.6 meters).

At the Zaozhuang Coal Mine, the No 2 Seam and at the 8.1 Mine, the No 3 Seam are being worked. The estimated reserve for the Zaozhuang Mine is 110 million tons. 8.1 Coal Mine was a small mining operation in the past but exploratory drilling confirmed the existence of additional 50 million tons reserve coal, and thus, full-scale development has been launched.

With respect to the quality of coal, the analytical values in Table 13 indicate that it has low ash content--8.2 percent. Gisler [transliteration] rheometer reading is 6,000 DDPM on the average. It is a highly fluid, semi-bituminous coal.

Mining method is two-thirds hydraulic mining and the remaining one-third is slicing. Refined coal output is 1 million tons per year. Judging from the existing coal seam structure, spectacular enlargement of mining operations is believed to be difficult.

3. Datong Coal Field

It is located in northern Shanxi Province at Datong City. The distance to Qinhuangdao Harbor by rail is approximately 780 kilometers. The coal field is approximately 110 kilometers in its northeast-southwest stretch and 17 kilometers in its southeast-northwest reach.

The coal measures which comprise the said coal field consist of Jurassic Period Datong Series (upper coal measure) and Permian Period Shanxi and Taiyuan Series (lower coal measure). As shown in Figure 5, the upper coal measure is located in the northern part of the coal field and the lower coal measure is distributed in the southern portion. There are 7 working seams in the upper coal measure (Table 7) and the combined width of seams is 14 meters. There are three seams in the lower coal measure.

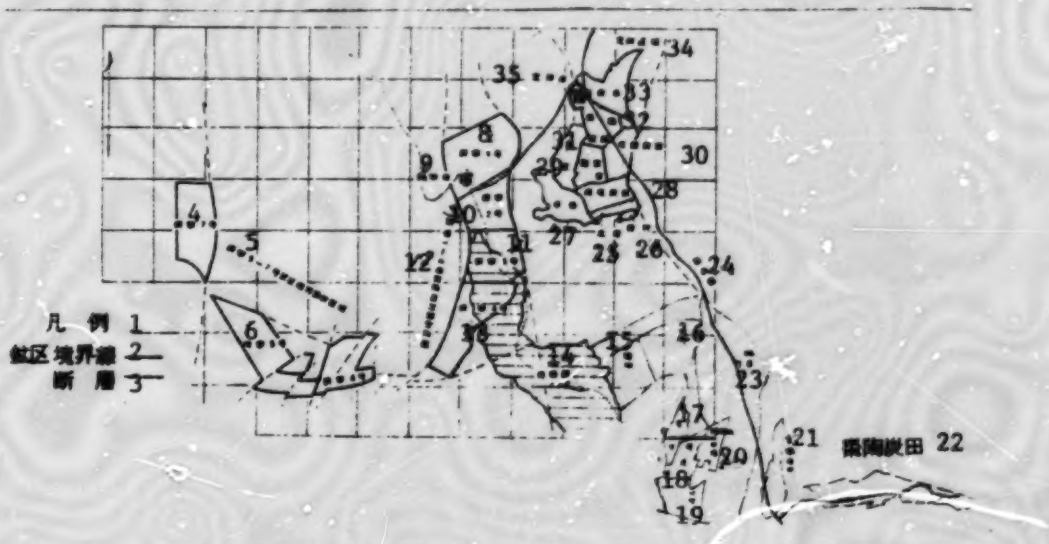


Figure 4. Regional map of Yanzhou, Guanqiao and Zaotao coal fields

Key:

1. Explanatory notes
2. Mining district borders
3. Fault
4. Jining No 7
5. Jining Nos 5-7 mining districts, joint planning districts
6. Jining No 5
7. Jining No 6
8. Jining No 1
9. Jining City
10. Jining No 2
11. Jining No 3
12. Jining Nos 1-4 mining districts, joint planning districts
13. Jining No 4
14. Nanyang Lake
15. [illegible]
16. [illegible]
17. [?]
18. [?]
19. [?]
20. [?]
21. Guangqiao Coal Field
22. Zaotao Coal Field
23. [illegible]
24. [?]
25. Beisu
26. Tangcun
27. Xinji
28. Nanchun
29. Baojiadian
30. (?) Coal Mine
31. Tianzhuang
32. Xinglong
33. Qufu
34. Yanzhou District
35. Yanzhou City

Table 7. Stratigraphy of the Datong Coal Field

Geologic Time			Series	Seams Worked
Ceno-zoic	Quarternary Age		Helocene	Major Producing Seams A. 1.2m - 1.8m B. 1.6m - 2.7m C. 1.8m - 1.6m D. 0.8m - 1.8m E. 2.8m - 7.0m F. 1.2m G. 1.2m
	Tertiary Age		Pliocene	
Mesozoic	Cretaceous Age			
	Jurassic Age	Middle	Yungang	
		Lower	Datong	
Paleozoic	Triassic - Permian Age		Huairen	
	Permian Age	Lower	Shanxi	
	Coal Age	Upper	Taiyuan	No 2 Layer
		Middle	Benxi	(20m layer)
	Ordovician Age			Lower first layer 5m layer
	Cambrian Age			
	Archeozoic Era		Archeozoic World	

The coal reserve in this field is said to be 37.1 billion tons for both upper and lower coal measures. It is a tremendous reserve figure, but nearly 60 percent of this is in the lower coal measure. Table 13 represents the quality of Datong brand coal supplied to Japan.

The coal seams worked thus far have almost all been in the upper coal measure. Raw coal's ash content has generally been low. Though sieving is the only selection method used, raw coal's charcoal ash content is only 10 percent; it is a high quality household coal with a high exothermal value.

Fifteen coal mines are managed by the Datong Mining Bureau. Of this number, 13 are operating mines and 2 are under development. The operating mines have an output range of 700,000 tons per year to 2.5 million tons per year. The model mines are Yungang (2.5 million tons per year) and Meiyukou (2.1 million tons per year). Yungang Coal Mine was opened in 1960 and a portion of its coal output is exported to Japan. Aside from the Mining Bureau managed mines, there are many medium and small size mines managed by the province and the city of Datong. The coals produced by the 13 mines are called Datong coal, and the total production volume is 24 million tons per year, and they are shipped out of the country (to Japan, England, Netherlands). The coals produced by provincial or city operated mines are used within the province or the city, and production is lagging behind increased demand.

It is predicted that full-scale research/development of the southern portion of the coal field in the future will yield bituminous coal from the lower measures.

Judging from its size, the field currently being worked is capable of considerable production increase.

4. Huaibei Coal Field

It is located in northern Anhui Province. The mining district is 1,000 km^2. The measures which comprise the coal field belong to the Permian Coal Age, and there are 18 seams in all. Of this number there are two operating seams (average 4m, 1.1m). As shown in Table 13, this area's coal has a high ash content.

Eleven coal mines belong to the Huaibei Mining Bureau, and the total coal output for 1977 was 11.2 million tons and 12.5 million tons for 1978. At present four new mines are being developed.

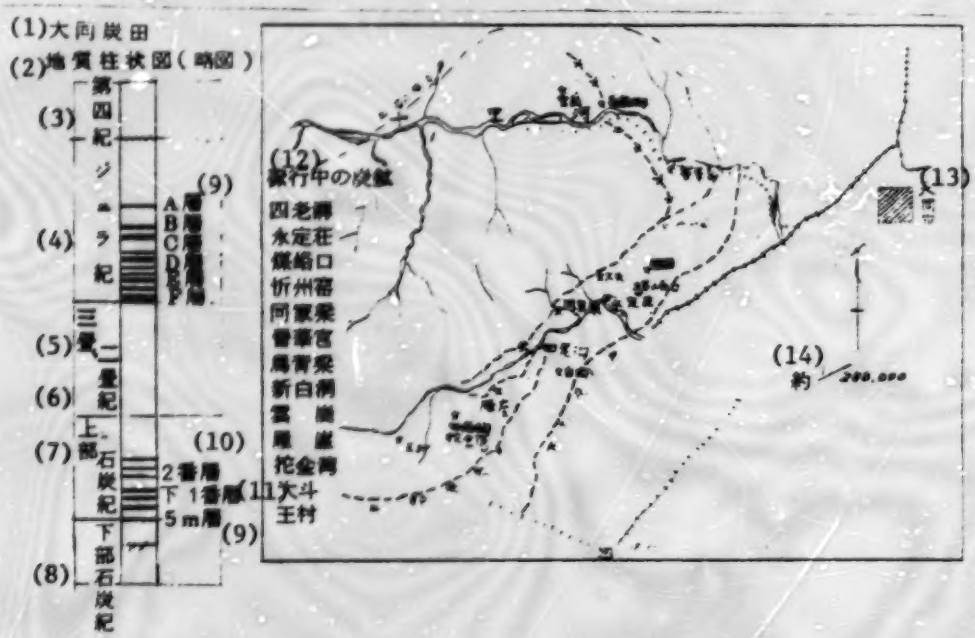


Figure 5. Locations of Mines in the Datong Coal Field

Key:

1. Datong Coal Field
2. Geologic column
3. Quarternary age
4. Jurassic age
5. Triassic age
6. Permian age
7. Early coal age
8. Later coal age
9. Layer
10. Second layer
11. Lower first layer
12. Mines being worked
    Silaogou
    Yongoingzhuang
    Meiyukou
    Yizhouyao
    Tongjialiang
    Jinhuagong
    Mabeiliang
    Xinbaidong
    Yungang
    Yanyai
    Tuojinwan
    Dadou
    Wangcun
13. Datong City
14. About

Table 8. Development Plan for the Gujiao Region

Name of Mine	Mining Area km^2	Reserve Volume 1 mil. t	Output 10,000t per year	Type of Coal	Development Status	Development Time Frame	Cooperative Format
Xiqu	60	7.8	300	rich, char	gallery slant mining excavation in progress	1978-1984	Export Bank financing
Zhen-chengdi	25	3.8	150	char, rich	planning stage (slant mining)	1980-1984	"
Malan	80	11.1	400	rich, char, lean, poor	planning stage (slant mining)	1981-1986	"
Tunlan	72	9.5	400	lean, poor	planning stage (mining shaft)	1982-1986	guaranteed trade
Dongqu	73	8.1	400	lean, poor	gallery and slant mining planning stage		self-help (autonomous project)
Totals	310	40.3	1,650				

This coal field is located in Shanxi Province 50 kilometers west of Taiyuan City. Gujiao to Qinhuangdao Harbor is a distance of 910 kilometers by rail. As of May 1979, the railroad from Taiyuan to Gujiao was to be completed by the end of 1979. As shown in Table 8, there is a development plan which divides the Gujiao Region into five mining districts.

This coal field's coal measures belong to the Permian Coal Age (Shanxi and Taiyuan seams). The seams are exposed on the northeast to northwest side and generally, they run east-west, and there is a 5° inclination southward.

There are 19 seams at this coal field, and 13 are workable seams. The development of coal seams varies somewhat from one mine to another. For example, as shown in Table 9, six to seven seams are being worked at the Xiqu Mine. No 2 Seam is the major seam of the Permian Age and No 8 Seam is the major seam of the Coal Age.

The analytical values of both seams are as follows.

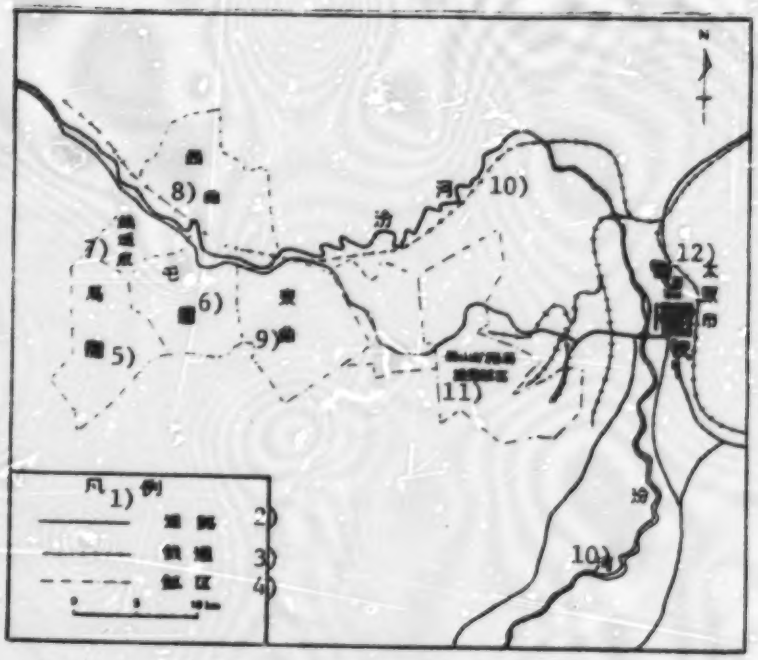


Figure 6. Xishan Coal Field (Gujiao Region)

Key:

1. Legend
2. Road
3. Railroad
4. Mining District
5. Malan
6. Tunlan
7. Zhenchengdi
8. Xiqu
9. Dongqu
10. Fenhe River
11. Xishan Mining Bureau operated district
12. Taiyuan City

Table 9. Xiqu Coal Mine Operating Seams

Geologic Period	Coal Measure	Name of Coal Seam	Average Thickness of Seam	Distance Between Seams
Permian Age	Xishan	03	0.67m	3m
		1	0.75	3
		2*	3.36	10
		4	2.34	35
Coal Age	Taiyuan	7	0.80	21
		8*	4.13	7
		9	1.90	

*Note: This is a major coal seam.

Table 10. Analysis of Seams 2 and 8 in the Xiqu Mine [figures in percent]

	No 2 Seam	No 8 Seam
Ash content	8.3	6.9
Volatine content*	20.9	18.1
Total sulfer content	0.51	1.40
Phosphorus	0.0013	0.0029
Y Count	16.5	12.0

*Note: Volatine content is d·a·f·base.

Throughout the coal field, the volatile content of seams is higher in the western portion, and it tends to gradually decrease toward the east. Moreover, in comparison to the Coal Age coal, Permian Age coal is high in ash content. As will be revealed later, coal from this coal field, despite its low volatile nature, is a highly fluid bituminous coal. When this mining district is developed, it is thought to become an important raw coal source area for Japan.

6. Yanzhou Coal Field

Yanzhou Coal Field is the greatest coal producing district in Shandong Province. The three Japan-China cooperative projects (Baodian, Jiangzhuang--Export Bank financing; Jining, No 2--joint concern) are slated for this region. The area is divided into Yanzhou Mining District which spreads north and west and Zaozhuang, Tengxian Mining District which occupy the southeastern portion. As shown in Figure 4, Yanzhou Mining District is separated into Jining Sector and Yanzhou Sector by a single fault, and it is separated from Tengxian District by sedimentary deposits. This coal field is located 240 kilometers south of Jinan City, midway between Jinan and Xuzhou. It is 250 kilometers by rail to Lianyun Harbor. There is a plan to construct a new port--Lanshantou--80 to 100 kilometers due north of Lianyun Harbor and the railway distance then would be cut to 200 kilometers.

Table 11. Coal Seams in the Yanzhou Area

Stratigraphy	Coal Seam	Seal Depth(m)	Average	Distance Between Seams
Xishan Group	3 A	1.4 - 2.0		0.05 - 23.89
	3	3.29- 6.64	5.21	6.89
	3	2.46- 3.96	3.28	37.00
Taiyuan Group	5		0.60	84.00
	15		0.60	40.00
	16		0.97	12.00
	17		1.11	3.00
	18		0.65	

Each area is slated for a project: Jining District--Jining No 2; Yanzhou District--Baodian Coal Mine; and Tengxian District--Jiangzhuan Coal Mine.

The coal measure in this field belongs to the Permian Age (Shanxi Seam) and the Coal Age (Taiyuan Seam); and there are 17-20 seams altogether. Of this number, 7 seams--Nos 2, 3 belonging to the Shanxi Group and Nos 6, 10, 15, 16, 17 belonging to the Taiyuan Group--are workable seams. Seams wider than 3 meters are Nos 1 and 2.

Tables 11 and 12 describe seam developments in Jining and Yanzhou districts and the quality of coals produced in each area.

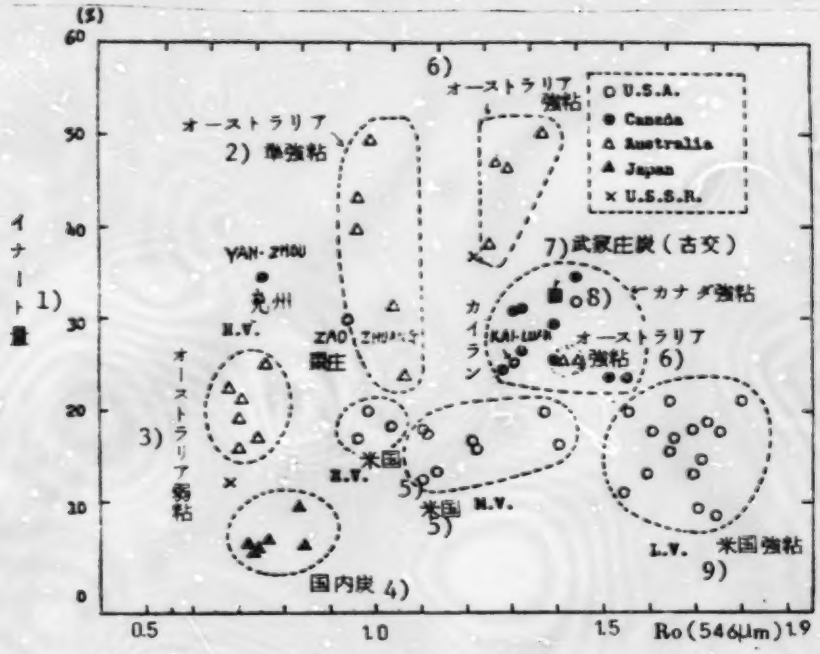
Table 12. Quality of Yanzhou, Jining Coal

Quality of Thick Seams (Nos 2, 3)	Yanzhou Area	Jining Area
Ash content	13 - 16	10 - 22
Volatile content	37 - 38	38
Febrility (exothermic) value	5,800 - 7,200	7,800 - 8,000
Sulfer	0.44 - 0.66	0.38 - 0.79
Y Index	9 - 10	11
Quality of Thin Seams (represented by No 16)		
Ash content	10 - 14	By and large identical with the left column.
Volatile content	43 - 44	
Febrility (exothermic) value	6,100 - 7,600	
Sulfer	3.4 - 3.6	
Y Index	17 - 20	

Throughout Yanzhou and Jining districts, the No 3 Seam is fairly wide and stable. It is a low sulfer, low ash, high febrility (exothermic) value, somewhat bituminous coal and is suitable as household coal or cokes mixture coal (plastic coal [seikeitan]). The lower seams--Nos 15, 16 and 17--are thin but are stable and consist of highly volatile, lesser bituminous coal said to be suitable for cokes and as raw material for chemical products.

There are 23 coal mines in the Yanzhou Coal Field--In Yanzhou, Zaozhuang mining districts--that are slated for development. The reserve is estimated at 11.4 billion tons, and production rate based on this figure is 50 million tons per year. Development of new mines is planned in stages, but the prediction is that Yanzhou Coal Field will become a leading coal field in production of household coal in China. The problem is that the coal seams in the proposed development mines are buried deep, and a considerable initial capital is required for its development and that the process of development will require time.

7. Jungar Coal Field



(Data supplied by Miyazu of Japan Steel Tubing Co)

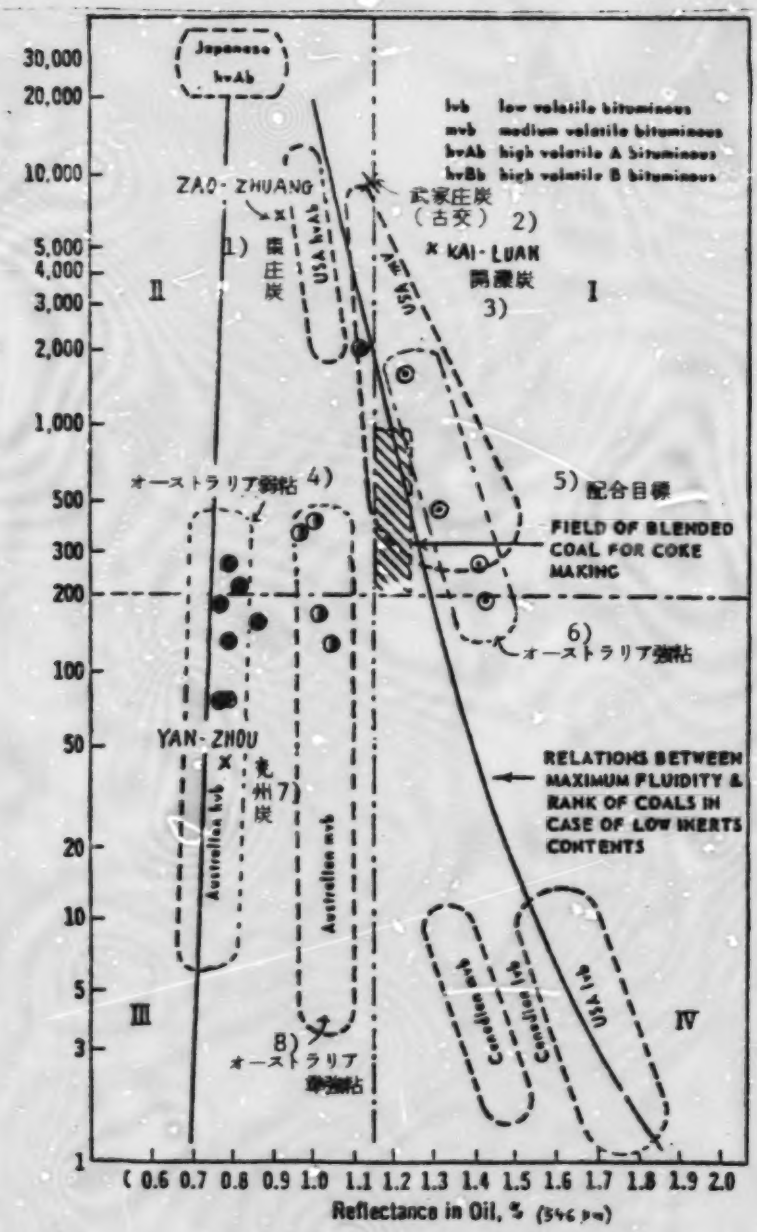
Figure 7. Inert content of coal from various countries

Key:

1. Inert content
2. Australian medium volatile bituminous
3. Australian low volatile bituminous
4. Domestic coal
5. United States
6. Australian high volatile bituminous
7. Wujiazhuang coal (Gujiao)
8. Canadian high volatile bituminous
9. United States high volatile bituminous

This coal field is located 180 kilometers due west of Baotou in Nei Monggol Zizhiqu's (Inner Mongolian Autonous Region) in the Ordos Highlands with a geographical spread of 700 km x 20 km. There are 6 operating coal seams and the total width of coal seams is said to be 33 - 28 meters. The reserve volume is said to be 36 billion tons.

The coal of this area has ash content of 20 percent, volatile content of 38 percent, sulfer content of 1 percent and exothermal value is 5,600 cal. It is a low grade bituminous coal. The developing format that is being planned is strip mining, and the stripping ratio in the initial development area is said to be 1:4. During the first stage of development, 10 million tons per year production is planned. The ultimate goal is to mine 30 million tons per year. The coals are to be used for generating electricity at a 1,920 kw capacity power generating station (planned).



(Data supplied by Miyazu of Nippon Steel Tubing Co)

Figure 8. M.F.O. diagram

Key:

1. Zaozhuang coal
2. Wujiazhuang coal (Gujiao)
3. Kailuan coal
4. Australian low volatile bituminous
5. Blending marks
6. Australian high volatile bituminous
7. Yanzhou coal
8. Australian medium volatile bituminous

Table 13. Quality of Raw Coal Supplied to Japan

	(1) 工業分析								(2) 元素分析 (d.a.f)					(3) 組織分析			(4) ギースラープラストメーター	(5) ディラトメーター
	I.M	A	V	V (da.f)	F.C.	T.S.	F.S.I.	Cal	C	H	O	N	S	トータルビトリノイド	トータルイナート	反射率	最高流動	全膨張 (13)
	%	%	%	%	%	%		kcal/kg	%	%	%	%	%	(9) %	(10) %	(11) %	(12) D.D.P.M	(12) %
(6) 開灤炭	0.7	11.4	28.6	32.5	62.8	0.7	7	7,650	87.6	5.2	5.0	1.5	0.7	68.7	27.7	1.32	5,705	159
(7) 棗庄炭	1.6	8.1	33.8	37.4	56.5	0.7	6	7,690	85.3	5.5	7.5	1.5	0.6	59.8	29.1	0.92	5,385 ~13,500	76
(8) 烏家庄炭 (古交)	1.0	7.0	27.0	29.3	65.0	0.6	5½	8,100	88.9	5.4	4.0	1.1	0.6	55.5	32.5	1.14	9,500	231

Key:
(1) Industrial analysis
(2) Elemental analysis
(3) Structural analysis
(4) Gisler [transliteration] plastometer
(5) Dilatometer
(6) Kailuan coal
(7) Zaozhuang coal
(8) Wujiazhuang coal (Gujiao)
(9) Total vitrinoid
(10) Total inert
(11) Reflectance rate
(12) Highest fluidity
(13) Total expansion

Table 14. Quality of Household Coal Supplied to Japan (common)

	(1) 工業分析							(2) 元素分析 (d.a.f)					(3) 灰の融点	H.G.I.
	I.M.	A	V	V(d.a.f)	F.C.	T.S.	Cal	C	H	O	N	S		
	%	%	%	%	%	%	kcal/kg	%	%	%	%	%	℃	
(4) 大同炭	5.6	8.9	29.3	33.5	58.2	0.7	7,140	84.6	4.9	8.7	0.9	0.8	1,260 ~1,350	51~58
(5) 淮北炭	2.0	21.6	26.4	34.6	50.1	0.2	5,500 ~6,000	85.6	5.0	7.8	1.4	0.2	1,450	60~70
(6) 兗州炭	5.6	4.8	32.2	35.9	57.4	0.4	7,280	83.0	5.5	9.8	1.5	0.4	>1,450	69

Key:
(1) Industrial analysis
(2) Elemental analysis
(3) Melting point of ash
(4) Datong coal
(5) Huaibei coal
(6) Yanzhou coal

At present, Nei Monggol Zizhiqu's production volume is 15.6 million tons per year. But hereafter, annual increase of 1 million tons is planned; and by 1985, the existing coal mines are slated to produce 20 million tons per year. When planned output volume for the Jungar Coal Mine is added to this figure, it would mean an annual production of 50 million tons. In terms of supplying Japan, since there is a transportation problem in getting the coal from this inland location to a seaport, it would be difficult to consider it as a serious possibility.

Aside from the above-mentioned coal fields, there is Panji No 2 Mine Project in the Huainan Coal Field. At this site, development via mine shaft has already begun. The coal quality here is household coal and the development goal is 3 million tons per year.

III. Grade of Coal Supplied to Japan

The raw coal currently being imported is Kailuan coal and Zaozhuang coal. Japan-China cooperative projects with focus on raw coal are Qianjiaying Mine in Kailuan Coal Field and four mines in the Gujiao District. Analytical chart of Wujiazhuang coal which is a representative product of the Gujiao District and Kailuan coal and Zaozhuang coal is shown in Table 13. A consideration of the properties of raw coal available to Japan based on the result of this analysis tells us that Zaozhuang coal is high in volatile content and Wujiazhuang and Kailuan coals have lesser amounts in that order. Ash content is higher in Kailuan coal than in Zaozhuang and Wujiazhuang coal. In relation to cokes properties (for example, clarite average reflectance, Gisler [transliteration] flux) and inert content (Figures 7,8), all have excellent properties for high fluidity blended coal. According to Mr Miyazu of Nippon Steel Tubing Company, Kailuan coal is equivalent to Canadian high volatile content bituminous coal; and Zaozhuang and varieties are equivalent to medium volatile bituminous coal.

With respect to household coal, Table 14 represents the analytical values of Huaibei coal and Datong and Yanzhou coal. Observations regarding the properties of household coal from the results of analysis are as follows:

Yanzhou coal has a low ash content and high exothermal volume;
Huaibei coal has the highest ash content and is low in exothermal volume;
Datong coal is in between the two and closer to Yanzhou coal in characteristics.

All of them have small sulfer and nitrogen content and the melting point of ash is high. It has excellent properties for a general use.

Conclusion

In the foregoing section, we have outlined China's coal reserve volume and production volume with special emphasis on coal fields currently supplying Japan and 10 out of 12 projects that are being considered for possible Japan-China cooperative venture. These cooperative venture projects are restricted to mainland China's northern and central locations, but they possess good geologic

and mining conditions. Jungar and Yiminhe are the extreme interior region and Datong is approximately 800 kilometers away from the sea coast. Others are within 200 km range from the sea. When Japan becomes reliant on supply of Chinese raw coal for its iron manufacture, or when China becomes an important link in Japan's energy plan, these mines will become important suppliers, and our cooperation in their development will bear a harvest of fruit.

11460
CSO: 8129/1696

MARSH GAS PRODUCTION IN GUANGXI SLOW TO DEVELOP

Beijing RENMIN RIBAO in Chinese 8 Sep 80 p 5

[Article by Liu Xingze [0491 2502 3419:: "Reasons for Slow Development of Marsh Gas Production in Guangxi"]

[Text] All-out development of marsh gas is an important element of modernization of agriculture, construction of rural energy sources, fertilizer and public health, as well as of protection of the environment. The Guangxi Zhuang Autonomous Region is located in a semitropical zone, with extremely rich marsh gas resources and superior conditions for their development. The state dispenses a large quantity of funds and materials every year for the purpose of supporting mass-operated marsh gas production.

In the past few years, however, the development of marsh gas in Guangxi has been rather slow. According to statistical reports, since the beginning of the extended scope of marsh gas in 1971, there have been only somewhat over 40,000 marsh gas tanks constructed and in operation in the entire province. Among all provinces, cities and autonomous regions, Guangxi ranks 15th.

The related leadership organizations in the province have not given the matter sufficient attention. They believe that many problems exist regarding marsh gas technology; therefore, they are not willing to tackle it. The management organization has also had very frequent turnovers. Before 1974, marsh gas work for the entire region was under the unified supervision of the Bureau of Science and Technology. The autonomous region resolved in 1975 to assign marsh gas work to the Department of Planning. In 1976, soon after the Department of Planning took over, it was again resolved that the work should be given to the Office of Agriculture to manage. As soon as the Office of Agriculture accepted the job, it was immediately given to the Bureau of Agriculture. In 1979, it was again resolved that the Soil and Fertilizer Station of the Bureau of Agriculture should manage marsh gas. The constant changing of management organization, from a supervising organization to a subordinate organization, etc., caused a constant changeover of personnel, with the result that there was no way to develop any sort of management. In some localities there was supposed to be a management unit; in reality, no one managed at all. If the masses wanted to operate marsh gas, there was no way to find the organization or the persons in charge of it. Last year, based upon a related directive of the Central Committee, the autonomous region planned to expand the marsh gas special staff of the Soil and Fertilizer Station of the region's Bureau of Agriculture from 8 to 10 members. Now, in

reality, only one person is doing marsh gas work. It was resolved that each locality, city and county may be assigend one or two persons who specialize in marsh gas, but to this day some places do not have a single marsh gas specialist. For example, Luzhai County was picked to be the key county for marsh gas development in Liuzhou District. In 1980, the state dispensed 120,000 yuan as a tank construction fund (including the construction of latrines, pig and oxen shelters and manure sheds, etc.) and 1,500 tons of cement for the construction of 1,500 marsh gas tanks. Due to the fact that there is no one to manage this activity, not a single marsh gas tank has been built to date in the entire county.

Under the situation of frequent changeovers of management organization, the work of training technicians just cannot be carried out. Consequently, the design of tanks in many places is not reasonable and the materials are not assembled according to a given ratio. A large number of "sick tanks" were built but could not be used. In some palces, due to the fact that economic policies are not implemented, the commune members do not feel positive about operating marsh gas. For example, the 4th Production Team of Liangtong Brigade, Chengxiang Commune, Wuming County, had 15 members who had successfully constructed marsh gas tanks, but the production brigade would not give them the raw materials. The members then thought they would supply their own materials, but the production brigade would not give them credit for the fertilizer used.

Many comrades and technicians who are engaged in marsh gas work in Guangxi expressed opinions concerning the frequently changing conditions of Guangxi marsh gas work:

1. The leadership authorities of the autonomous region should strengthen their guidance in marsh gas work and list this item in their administrative agenda. Specifically, they should first resolve the problem of management organization and personnel. Organizations specializing in marsh gas work should be set up in all localities, counties and cities, and one party political cadre should be assigned at every level to be in charge of this work. The departments of industry, transportation, public health, finance and trade should be positively organized to support and assist, and the various ranks of management organizations should select appropriate staff members.

2. At present, the greatest obstacle to marsh gas development in these rural villages is the technique of constructing the tanks. Marsh gas specialists are very much in short supply. Wherever conditions permit, a team of marsh gas construction specialists should be established, and the members of the team should all receive a definite period of training. In the proces of constructing the tanks, the masses should dig the hole and prepare the materials, with the team of specialists performing the construction work. When the tank is built, it must be inspected and accepted if it meets the standard, and the production brigade or the commune member should pay the appropriate rewards. If it does not meet quality standards, the structure should be rebuilt or the wages and rewards should be deducted.

3. It is hoped that the autonomous region will formulate a system of marsh gas management methods and a series of related policies as soon as possible so that the current condition, whereby there are no rules to be followed, will be changed.

4. Marsh gas scientific research work in Guangxi is poor. To this day there is no unit or person in the entire region specializing in marsh gas research. It is hoped that a group of persons who have had some experience in marsh gas work can be organized to carry out research in the autonomous region to resolve specific problems in the development of marsh gas.

6168
CSO: 4006

ENERGY

INDUSTRIAL FRONT ACHIEVES MARKED ENERGY SAVINGS

Hangzhou ZHEJIANG RIBAO in Chinese 18 Sep 80 p 2

[Text] Energy resource consumption on the provincial industrial front has achieved excellent results. In the first 7 months of the year, industrial production provincewide was up 31.7 percent over the same period last year while coal consumption had increased by only 21.7 percent; coal consumption per 100 million yuan worth of output was down 7.7 percent from last year's figure. According to statistics for the first half of this year for 1,628 inspected units provincewide, decreased consumption saved 190,000 tons of coal, in addition to which the fuel supply departments of 54 municipalities and counties re recovered and used 470,000 tons of coal slag (equivalent to a coal saving of 94,000 tons), amounting to a total saving of 284,000 tons of raw coal).

Strengthening fuel quota management, implementing fixed-quantity supply, and implementing consumption norms all the way down to shift and team level are effective measures which have achieved marked success in the province's energy resource conservation work. Starting this year, the enterprises in all localities have stimulated the masses to locate leaks, work out measures, and eliminate "movable assets," have set up a management system and put it into good condition, and have managed to institute recording of quantities, accounting and inspection in the use of fuels, weighing at the time of burning, shift-by-shift recordkeeping, and assignment of individual responsibility. The province's small-scale nitrogen fertilizer industry's two kinds of coal consumption have been further lowered: in January-July of this year consumption per ton of ammonia was decreased by 154 kg, saving 52,000 tons of raw coal. The Juzhou Chemical Engineering Plant leadership took the matter seriously, and by energetically implementing consumption according to quota, equipment management, coalyard rectification, and recovery and utilization, and changing over from "pay after use" to "pay before use," they made a fundamental conversion from "vagueness about coal" to "clarity about coal." In the first half of this year there was a drop in fuel consumption, with a saving of 2,936 tons of raw coal and 456 tons of fuel oil.

Many enterprises are energetically engaged in unearthing potential, and in renovation and reconstruction focused on conservation, are connecting energy conservation with labor competitions and the awards system, and have arranged a clear system of rewards and penalties; these are effective measures that are being adopted by all localities in conserving energy resources. In order to further the development of energy conservation research, some cities and counties,

including Hangzhou and Lanxi, have created technical exchange teams. Ningbo city has ordered that a coal conservation technical exchange day be held every Monday, and Ninghai County holds countrywide coal conservation cooperative activities once a month. At the same time, all the localities have strengthened the training of stokers and are striving to improve their skills. All of the above has had a definite effect in energy conservation.

8480
CSO: 4006

SLURRY PIPELINE TRANSPORT OF COAL PROPOSED

Beijing RENMIN RIBAO in Chinese 20 Sep 80 p 4

[Article by Jin Luzhong [6855 1462 1813]: "Energy Transport Methods Require Careful Study"]

[Text] Some formulations on the subject of energy resource transport in the 20 May RENMIN RIBAO editorial "Build Up Shanxi Into a Powerful Energy Resource Base As Fast As Possible" merit discussion.

The program envisaged in the editorial is as follows: set up various types of mine-head power stations in Shanxi, then transmit the electricity to north China and central China, and thence to northeast and east China, in order to basically solve these regions' energy shortage problems, decrease outshipment of coal and save transport potential.

Does it make economic sense to carry out long-range electric power transmission from such large mine-head power stations? Can it actually be done? These questions urgently require discussion.

First, energy losses on long-range ultrahigh voltage transmission lines are very large. According to foreign data, when the transmission distance exceeds 200 km, energy losses on ultrahigh voltage transmission lines exceed those in rail and pipeline transport.

Accordingly, in general long-range ultrahigh voltage electric power transmission is very uneconomical as a transport method. Of course, as a method for electric system load distribution and exchange, ultrahigh voltage lines can greatly decrease the system reserve capacity required, and provide great flexibility, so that they are also very beneficial. In a country such as West Germany, with relatively small area (about twice the size of Fujian Province), and in which the coal resources of the Ruhr region are rather rich, and the region itself is a heavy industrial area, so that the coal base and the electricity consumption load center are close together, setting up of mine-head power stations uses the advantages of the arrangement and avoids its shortcomings, so that it is economically beneficial. The United States (with a large area) has a different situation. Most of its large power stations are near the load centers, and the percentage of mine-head stations is very small, less than 5 percent. Our country has an area somewhat

larger than that of the United States, and the coal bases are generally very far away from power consumption centers, so that in economic terms the use of ultrahigh voltage transmission lines to carry electricity 1,000 kilometers or more from Shanxi to central China, east China and the northwest, is extremely unadvantageous (hydroelectric power, which is limited by the location of the resource areas, should be considered separately).

Second, mine-head power stations must consume large quantities of water, and Shanxi and Inner Mongolia are both rather short of water; this is a contradiction that is difficult to overcome. The Ruhr region has the proper water resources, whereas Shanxi and Inner Mongolia do not. U.S. statistical data indicate that mine-head power stations' water consumption is about seven times that for slurry pipeline transport of coal. Because this country uses water for ash removal, and in addition the technical level is low, the actual water consumption level will be more than 10 times that used in slurry pipeline transport. Generally the water consumption per million kilowatts of mine-head power station capacity is 1.6-2.0 cubic meters per second. Taking the Datong and Pingshuo coal fields as an example, if we were to set up a coal base with a yearly production of 50 million tons, it would be possible to set up 15 million kilowatts worth of mine-head power station capacity. But we know that the currently explored water resources in the area are sufficient for only 4 or 5 million kilowatts worth of mine-head stations. But the area's agricultural and other industries are very short of water, so that whether these water resources should be used entirely for mine-head power plants is another matter. In overall terms, surface and subsurface water are interrelated, and in Shanxi and Inner Mongolia, where the annual evaporation is much greater than precipitation, the prospects for finding a rich subsurface water source are not promising. Accordingly, there is no firm basis for large-scale mine-head power stations.

What then is the answer? I suggest that we investigate and adopt long distance slurry pipeline coal transport.

Long-distance slurry pipeline coal transport is a new transport technology which was developed in the late 1950's in the United States. It immediately showed its advantages, and forced standard railway transport to change over to large 10,000-ton trains in order to compete. The second long-distance coal transport pipeline in the United States (the Black Mesa pipeline) built in 1970, is 440 km long and transports 4.8 million tons of coal annually. To date it has been in trouble-free operation for 10 years and is technically mature and economically very competitive, with a pipeline lifetime estimated at up to 50 years. Slurry pipelines are coming into their own, and the United States already plans to build 7 coal pipelines with a total length of 11,000 km and an annual capacity of 120 million tons. The longest of these is a 2,400 km pipeline with an annual capacity of 40 million tons. The Soviet Union has already constructed a 250 kilometer pipeline and is planning a 4,000 km pipeline with an annual capacity of 45 million tons in order to solve the problem of moving eastern coal westward. In addition, Poland and Italy, Canada and the United States, and northwestern Europe, Australia, Yugoslavia, South Africa and Japan are all planning to use pipeline coal transport.

Why is slurry pipeline coal transport attracting such interest throughout the world? Primarily it is because its economic effects are outstanding. First, the capital construction investment is low. The investment in the Black Mesa slurry pipeline was $39 million U.S., while renovating existing railroads and adding a line to the coal mines would have required an investment of $140 million. Recently a newly-built U.S. pipeline 1,650 km long with an annual coal capacity of 25 million tons had an initial cost 40 percent lower than that of renovating an existing rail line.

Second, the coal transport cost is low. Generally it is a third lower than transport by ordinary train, and the greater the transport distance and quantity, the lower the cost. According to preliminary surveys and calculations by the relevant research and design units in this country, if we compare transporting energy from the Zhunge'er coal field in Inner Mongolia to the Peking-Tianjin-Tangshan region by using a slurry pipeline or renovating a railroad for an annual capacity of 12 million tons, and building a 4 million kilowatt power station in the Peking-Tianjin-Tangshan region, with building mine-head power stations with the same capacity in Zhunge'er and transporting the electricity on a 500,000-volt ultrahigh voltage line, the results make clear that the use of slurry pipeline transport has the cheapest investment cost and the lowest transport cost. This shows that the analyses of the economic benefits from pipeline coal transport are the same in this country and abroad.

Third, the construction cycle is short. It took only 16 months to construct the Black Mesa pipeline. According to estimates by the relevant departments, a pipeline from the Zhunge'er coal field to the Peking-Tianjin-Tangshan region (about 670 kilometers long) could be built and put into operation in 1-2 years.

Fourth, the pipeline is underground, is not affected by weather conditions, does not affect the environment and ecology, and has a pumping station every 100 km, which takes up a very small amount of agricultural land.

Fifth, recovery of the investment is rapid. The investment, tax and interest on the Black Mesa pipeline can be fully recovered in 10 years.

In addition, if coal slurry is exported, the pipeline can be connected up to tankers, and the coal slurry pumped directly into the tanks, greatly simplifying harbor facilities and loading-unloading work.

Of course, pipeline transport also has its limitations: It can only move coal in a single direction and cannot be used for several purposes, is not as flexible as rail transport, and increases the extent of the water removal process. But for coal transport, under conditions which are suitable for pipeline transport, it is much more economical than other transport methods. In addition, since this country has a scarcity of agricultural land, energetic development of slurry pipeline coal transport will be beneficial in decreasing the takeover of agricultural lands. It will lessen the pressure on rail transport, and promote rational distribution of electric power plants (near water supplies and load centers). Since moving a ton of coal by pipeline takes a ton of water, some people wonder how the water resource problem will be solved. According to a recent survey of the Zhunge'er coal field in Inner Mongolia and the Pingshuo coal field in Shanxi, the quantity of water used for pipeline transport would be only a tenth that used for minehead power stations, so that water sources could be assured.

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ENERGY

FUEL CONSTUMPTION REDUCED IN HANGZHOU INDUSTRY

Hangzhou ZHEJIANG RIBAO in Chinese 15 Sep 80 p 1

[Article: "An Effective Measure for Saving Energy"]

[Text] Hangzhou's Municipal Economic Committee and Planning Committee and the various leading offices and fuel supply departments organized a force and went into the plants to make investigations. Starting in March, they spent more than 3 months revising 1,308 product fuel consumption norms in 894 industrial enterprises throughout the city. These new norms average about 10 percent less than the old ones. Their implementation in July and August was excellent, and many plants posted actual consumption figures lower than the new norms.

These new norms for more than 1,000 products were revised one by one on the basis of advanced but reasonable principles. The relevant offices and fuel supply departments sent personnel to hear the fuel consumption circumstances described at the plants, to examine the plants' past product fuel consumption records, to make on-the-spot observations of production and management circumstances, and to propose suggestions for unearthing further latent fuel conservation potential and for revision of norms. They drew up new advanced quotas for products for which good levels lower than the original norms had already been achieved, on the basis of enterprise capabilities for identifying latent potential; they maintained the original norms in the case of products for which the enterprise had already achieved good consumption levels but had no consumption reduction potential at the moment; they drew up relatively advanced and realistically attainable norms for new products which had just gone into production, on the basis of actual figures for a half year or more; and they allowed realistic upward adjustments in the case of a minority of products for which fuel consumption had increased or the original norms for which had become excessively difficult as a result of changes in production processes or starting materials.

Revising product fuel consumption norms is very meticulous work. Because the norm levels and the quality of their implementation directly affect enterprise economic interests and workers' and staff members' bonus income, the leadership of some enterprises stressed their difficulties during the reevaluation period and left themselves a good deal of leeway. When they encountered such circumstances, the personnel of the leading offices and fuel supply departments persisted in presenting the facts and reasoning things out, and set the norms on the basis of advanced but also reasonable principles. One plant in the chemical

engineering system had already decreased its actual coal consumption per 10,000 yuan of product to 2,754 kg in 1979, and when the norms were being determined the plant leadership requested that the old norm of 2,790 kg be retained, in order to leave themselves some leeway. The comrades from the fuel supply departments made an on-the-spot survey and discovered that this plant had major energy consumption leaks. Drawing a lesson from the facts, the plant leadership admitted that the plant's norms could not include so much leeway. Accordingly, both sides agreed to change the 1980 quota to 2,616 kg of coal per 10,000 yuan worth of product, a value lower than the previous year's quota and the previous year's actual achievement.

The revision of fuel consumption norms does not consist merely of the saving of a few tons of coal; more important, the work has strengthened management work and has raised enterprise management standards everywhere. In the past the Qianjiang No 5 Metalworking Tools Plant had insufficient raw data; its product fuel consumption was determined rather roughly and not progressively enough. This time, in order to identify the laws governing coal consumption and the actual situation regarding product fuel consumption, the heads of the planning and supply and marketing departments went into the shops to make a personal survey; they took part in the labor, and for more than 2 months they weighed out the coal before it was used each day and accumulated day-to-day data. After they had earned the right to speak they incited workers and staff to determine norms rationally on the basis of the actual situation. For example, there were six standards for wrenches, but in the past there was only one average consumption norm which was rather loose; now there are six norms which are fairly reasonable but also rather advanced. In the past the Hangzhou Light Bulb plant piled its production coal everywhere, managed it in chaotic fashion, and did not correctly determine unit consumption. On this occasion, through the norm reevaluation, they rectified coalyard management, strictly implemented the production coal receiving and issuance system, specified individual responsibility, weighed and recorded the coal when delivering it to the furnaces, and in addition, starting in August, they began to give conservation awards, further stimulating the masses' enthusiasm for coal conservation, with the result that there was a considerable drop in coal consumption. Last year the plant's fuel consumption norm per 10,000 light bulbs was 2.3 tons, which was then lowered to 1.78 tons; now the actual consumption figure has been decreased to 1.287 tons.

Comrades from the relevant departments state that the current work of reevaluating fuel consumption norms has produced outstanding results, and is being taken seriously by leadership at all levels. But mobilization circumstances are uneven: the leadership in some industrial enterprises has not yet straightened out its thinking, but holds to a "superior" attitude, believing that "our enterprise is a critical one and should get preference in coal supply" Accordingly the work of setting the quotas is still insufficiently grounded in the actual situation, and the quotas for some products are still rather lax, as well as not progressive. This not only wastes energy resources but also does not help the enterprise raise its management standards. To deal with this situation, the relevant enterprise leadership should give it the proper attention, overcome incorrect thinking, strengthen enterprise management, continuously unearth latent potential, and strive energetically to make the fuel consumption norms break enterprise records so as to continue creating optimal standards in their branches of industry.

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BRIEFS

SHANGHAI'S TALLEST TOWER--This city's tallest steel 220-kV high-voltage transmission line tower was completed yesterday in Minhang on the southern bank of the Huangpu River. The tower is 123 meters tall and weighs 150 tons; it is 40 meters taller than the tower built on 16 June on the northern bank of the Huangpu River. It was tested yesterday by the Municipal Economic Committee, the East China Electric Power Management Office and the East China Electric Power Construction Office. Its construction quality was found to be good and all characteristics achieved the highest level for assembly of steel towers of this type nationwide. To transmit the electricity produced by the Minhang Power Plant on schedule, it was necessary to set up a 200-kV high-voltage transmission line between Minhang and Zhoujiadu. For this purpose a pair of steel towers were set up on the northern and southern banks of the Huangpu River at Mihang, with the Electrical Power Transmission Engineering Office of the East China Electric Power Construction Office taking the responsibility for their construction. They boldly adopted a new construction process and accelerated the speed of work. The time required to construct the 2 towers was reduced by half from the original design, also saving construction materials worth 200,000 yuan. [Text] [Shanghai JIEFANG RIBAO in Chinese 27 Jul 80 p 1] 8480

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NEW MACHINE FILLS GAP IN MARINE CABLE WORK

Jinan DAZHONG RIBAO in Chinese 27 Jul 80 p 1

[Article by Li Zuomin [2621 0155 3046] and Huang Jisheng [7806 1015 4141]: "Our Country Successfully Manufactures Its First Large Drum-Type Electric Cable Machine"]

[Text] Following the emergence of our country's first tread-type deep sea cable-laying machine, a certain factory subordinate to the North China Sea Fleet continued to exert itself and successfully manufactured our country's first large drum-type electric cable machine. This was a big step forward in meeting our country's requirements for laying, salvaging, and repairing electric cables at sea and in promoting the extension of our country's submarine cable project into deeper and more remote parts of the ocean. On 4 July, a technical appraisement team constituted from departments in all scientific research institutes, academies, and shipyards concerned gave this technical appraisement: this large drum-type electric cable machine approaches the standard of the most recently built machines of the same type in foreign countries.

"Marine cable innovation experts" and the headquarters of the North China Sea Fleet had sent a letter to prominent deputy heads and heads of departments and to worker comrades in a certain factory, telling them that the successful manufacture in 1976 of our country's first tread-type deep sea cable-laying machine had solved our country's problem of laying submarine cables in the ocean depths. But, the letter continued, this machine was unable to meet the requirements for salvage and repair of the cables. At that time, the leading comrades of the fleet, when receiving these prominent persons and the comrades of an innovation team of a certain factory, urged them to make, as quickly as possible, marine cable equipment that could lay, retrieve, and repair cables. The leading comrades hoped that, on the basis of the tread-type cable-laying machine, they would exert themselves and scale new heights. The prominent persons and the team then worked to make the country strong, exerted themselves, and began to work on manufacturing this type of machine.

At present only a few countries can manufacture a large drum-type electric cable machine of this type. When the factory was manufacturing the machine, owing to a lack of technological data and low equipment capacity, it encountered many difficulties in researching, designing, processing, installing, and ironing out bugs.

The prominent comrades, from beginning to end, gave powerful organizational leadership and technological guidance. Members of the factory's test-manufacture team went to units concerned in various universities and research institutes to solicit

opinions from all departments concerned with this technology and its application, thought of ways to collect technical data, and obtained powerful support and help from units concerned. They also went to sea with marine cable ships to make on-the-spot investigations and get firsthand data. In a period of a little over 3 years, they overcame one by one, the technical and material difficulties they had encountered, and at the beginning of the year successfully manufactured this large electric cable machine from equipment and components produced by our country itself, filling another gap in our country's marine cable project and making a new contribution to the modernization of national defense. This electric cable machine has already been installed on marine cable ships. Many tests at sea have shown that the machine performs satisfactorily and can do marine cable work in deep and remote parts of the ocean.

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MACHINE-BUILDING INDUSTRY IN ZHEJIANG READJUSTED

Hangzhou ZHEJIANG RIBAO in Chinese 18 Jul 80 p 1

[Article: "How Did Our Province's Machine-Building Industry Achieve Steady Sustained Growth?"]

[Text] The machine-building industry throughout the province has adjusted its orientation, displayed its strong points and avoided its weak points, given full play to its distinguishing features, tapped its potential power, and in the first half of the year has enjoyed a steady, sustained growth in production. The total output value, compared to that of the same period last year, rose 11.2 percent, fulfilling 67.76 percent of the annual plan and reaching the highest level in history for a first half-year period.

The readjustment of the national economy brought a problem to the machine-building industry of our province, viz, the production tasks were not critical enough. How could this new contradiction be resolved? The machine-building industry in every place, beginning this year, has displayed its strong points and avoided its weak points, and vigorously increased the output of "fist" products. There are 20 "fist" products, including surface grinding machines, oxygen generators, industrial gas turbines, engines, industrial boilers, West Lake bench drills, water meters, electric meters, chain blocks, and chains. Because they are the major products of the machine-building industry and occupy the decisive position in it, in planning they get priority in arrangements and in the supply of raw materials, fuel, and electric power, and this allows them to be increased in output at high speed. If the production capacity for a specific product is inadequate at a given enterprise, this problem is solved by various places acting in concert. For example, the industrial boiler industry in Wenzhou city had a good market, but the boiler factories did not have time to produce the boilers. The machine-building bureau of the city then organized five mining machinery plants and sheet metal plants to engage in joint production, and thus the production capacity for boilers to meet the market demand was raised 1.5 times, and the difficulty of a batch of enterprises being without production tasks was also resolved.

Another factor in the steady, sustained growth of our province's machine-building industry in the first half of the year was that it fully utilized its superiority in technology and equipment, developed product variety, and devoted great efforts to produce goods for the people's life and for exports. Since the beginning of this year, enterprises in many prefectures and cities have utilized their abundant production capacity and leftover bits and pieces to produce a batch of such products

as window air conditioners, coal gas bottles, plastic soldering machines, medical machines, and textile machinery. The Hangzhou Municipal Machine-Building Bureau is now organizing some enterprises that do not have enough production tasks to give full play to the superiority of their technology and equipment and set up a bicycle production line that will make 100,000 26-inch bicycles a year. The comparatively strong electrical engineering industry is also manufacturing new products for export. For example, after the 5,000-watt oblique-type water turbogenerator had been exhibited in America, the reaction to it was fairly good and American businessmen have already ordered 10 of them on a trial basis; recently, the Philippines wanted to buy hydroelectrical equipment from our country, and most of the equipment was manufactured and supplied by the hydroelectrical equipment industry in our province.

Since the beginning of this year, leading departments and enterprises of the machine-building industry in various places have done further good work in adjusting markets and in taking on more tasks, thereby giving full play to superiority of the machine-building industry. This has also strongly promoted the development of production in the first half of the year. Various places have held exhibitions of machine-building products or opened retail departments in order that production and marketing be in direct contact with each other and that markets for sales be opened. The machine-building industry in the province, by adjusting its tasks to the market for its products, has already overfulfilled the state's assigned plan. In order to do even better in the work of market adjustment, many enterprises have strengthened the work of market management, set up special agencies, and transfered cadres and technical personnel who are well versed in their fields of work, understand production technology, and have the capability of being mobile, thereby replenishing strength. For example, in the Hangzhou Oxygen Generator Plant, 48 persons are engaged in marketing work, and among them are the deputy plant director, the deputy chief engineer, engineers, and technical personnel. They go through many channels, integrate the fields of work, and open up markets.

At present, looking at the production capacity of the machine-building industry in our province, we see that only 60 to 70 percent of it is being utilized. This shows clearly that there is still a large latent potential and that there are very good conditions for the long-term, stable, and sustained growth of the machine-building industry. The machine-building industry in all parts of the province is now conscientiously summing up its experiences, continuing to rely on the broad masses of its staff and workers to overcome difficulties, giving full play to its superiority, displaying its good points and avoiding its weak points, and working hard for even better results in the second half of the year.

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MACHINE-BUILDING INDUSTRY REFORM CALLED FOR

Beijing RENMIN RIBAO in Chinese 21 Aug 80 p 5

[Article by [character illegible] Qiushi [3061 1395]: "Technical Reform in the Machine-Building Industry"]

[Text] The machine-building industry of our country now has many machine tools and plants, has technically advanced factories, and also has advanced technological equipment. But generally speaking, its technical level is relatively backward and it needs to be reorganized and reformed. This is an important problem facing our country's machine-building industry.

A Change of Strategic Significance

There are two paths for increasing social production: One path is to increase the number of plants and thus expand their scope. This is the path of "quantitative" development. The other path is to carry out technical reform and thereby improve the quality of the enterprise, enabling it to go from the design and manufacture of comparatively primary products to the design and manufacture of comparatively advanced products, to go from a comparatively low level of efficiency and results to a comparatively high level of efficiency and results. This is "qualitative" improvement.

Basically, the machine-building industry we received from the old China was an awful mess that required repairs and replacements. Therefore, in the initial period after Liberation as well as in a subsequent period thereafter, the machine-building industry faced the major task of making something out of nothing and of going from repairing and replacing to manufacturing. Under these conditions, the main thing was to carry out basic construction, increase the number of plants and expand their scope, thereby stressing "quantitative" development. This was correct at the time, and achieved great results.

Now, we want to make the transition from stressing "quantitative" to stressing "qualitative" improvement. Looking at the actual situation in the machine-building industry at present, not only is this possible, it is necessary.

The reason we say that this is possible is because we have been engaged in construction for over 30 years, and the machine-building industry of our country has been developed into an industrial sector that has a fairly complete range of products and possesses a certain scope. We already have the material basis for effecting technical reform, and this is a big difference compared with what we had in the initial period after Liberation.

The reason we say that this is necessary is because the quality of the machine-building industry enterprises is, generally speaking still fairly poor. The realization of the four modernizations demands that the machine-building industry design and manufacture electromechanical products of a high standard, but the majority of products that we are able to design and manufacture are still comparatively backward. Analyzing them technologically and economically, approximately a little over 60 percent are only equal to the world standard of the 1950's. The realization of the four modernizations demands that we greatly improve our economic results, and now there are "many bits but few batches," i.e., the technology and management standards of most enterprises are still fairly backward. Therefore, there is a huge consumption of energy and a low utilization rate of materials, and the growth of the labor productivity rate for 20-odd years has been negligible. In 1970, Japan's machine-building industry created an output value of 5.5 yuan for every 1 yuan of fixed capital, and the corresponding figure for our country was only 1.3 yuan. This shows that our economic results are falling short by a wide margin. The main task facing the machine-building industry is to improve its designing and manufacturing skills and to improve its economic results, and in these respects to catch up with or surpass the world's advanced standards. To fulfill this task it must carry out technical reform and greatly improve the quality of its enterprises.

When discussing why we must stress technical reform, some comrades only see that, during the period of readjustment, investment in the machine-building industry is reduced and, therefore, for enterprises carrying out technical reform, as compared with newly built factories, little money is spent and much work is expected. This is indeed true, but it certainly does not grasp the essence of the problem. The machine-building industry is a complete entity in which quantity and quality form a unity. When developing "quantitatively" to a certain extent, it must put stress on "qualitative" improvement. This is a question of economic law; if we do not do this, then we cannot obtain the best economic results. In the past 20 years, the fixed capital of our country's machine-building industry has increased by 1-fold but its total output value has only increased by 0.9-fold; and the industrially developed countries, in general, have increased the fixed capital of their machine-building industry by 1-fold and increased their total output value by about 1.5-fold. This shows that there is a big difference in economic results between us, who stress "quantitative" development, and others, who stress "qualitative" improvement. From this we see that no matter how much the state invests in the machine-building industry, we much change our stress from "quantitative" development to "qualitative" improvement. This change is not just a measure of expediency during the readjustment period, but is dictated by the overall situation and must be maintained for a long time.

Where Should the Focal Point of the Technical Reform Be Placed?

In order to improve the quality of the existing enterprises and carry out technical reform, the general comprehension of what this entails must be wider than it was in the past. Not only does it entail machining methods in technological refitting, but also testing methods required for perfecting the development of new products, as well as the use of equipment and tools required by modern management techniques. The problems of technical reform to be solved by the enterprises are many and varied. Sometimes, one can kill many birds with one stone; sometimes, one must sacrifice one side in order to insure the success of another side. One must be clear about where the focal point of the technical reform should be placed at a given time, in order that the limited funds be utilized at the key points so as to rapidly attain the desired goal.

In the past, when speaking of technical reform, one often thought only of working with specialized machines and on production lines, focusing intently on increasing output. This was of great efficacy in resolving the contradiction in the supply of machine-building products at the time. But now there has been a big change in the situation, and the focal point of the technical reform in the machine-building industry should be in line with this change. The national economy is now in a stage of readjustment. The proportion of accumulated funds will gradually fall to about 25 percent, and from now on the investment in basic construction for a given year will not grow by much. Therefore, as a rule, the production capacity for machine-building products will be temporarily directed toward meeting market requirements, and this situation will continue for a while. Under these conditions, obviously we cannot, in general, encourage a technical reform centered on increasing output. Starting from the actual situation at present, we think we should place the focal point of the technical reform in the machine-building industry on the following six aspects.

First, carry out the technical reform by reducing consumption centered on saving energy. The short supply of energy has already become a prominent problem for the economies of developed countries. The technical reform of the machine-building industry must make its central task the saving of energy. On one hand, techniques and equipment must be improved so that the consumption of energy during the production process in the machine-building industry is greatly lowered. On the other hand, it is even more important for the machine-building industry to provide each department of the national economy with electromechanical products that have a high energy-utilization rate. The old-type industrial boiler, weighing 1 to 2 tons, that our country produced, when compared with advanced standards, has about a 15 percent lower heating efficiency rate; the motor vehicles produced by our country, when compared with foreign makes of the same model, consume 6 to 30 percent more gasoline; and the efficiency rate of water pumps produced by our country is, in general, 5 to 10 percent lower than that of foreign water pumps. At present, there are many of these "coal tigers," "petroleum tigers," and "electricity tigers" that are in urgent need of replacement or improvement. In addition, we must pay serious attention to finding ways to lower the consumption of energy and materials and to raise the utilization rate of materials.

Second, carry out the technical reform centered on improving product quality and raising technical standards. The main problems now affecting the reputation and sales of some machine-building products is: one, their quality is not good and, two, their standards are not high. In order to solve these two problems, for some of the products the technology must be improved, for some the structure must be improved, and for some new varieties must be developed, replacing and substituting products in a planned way. Therefore, it is necessary to carry out technical reform, employing better, more perfect calculating methods and physiochemical testing methods, in order to meet the requirements of testing and research. In order to gain time, appropriate new technology must be introduced.

Third, carry out technical reform centered on first-class products. Owing to the large-scale development of products, many old enterprises cannot meet the requirements of the new situation. For example, when Harbin's Sanda Powerplant was being built, its generating units were designed to produce 50,000 and 100,000 kilowatts of electricity. It then wanted generating units that could produce 300,000 and 600,000 kilowatts. It could not build a new plant but could only carry out a technical reform of the enterprise so that its product became first class. This kind of technical reform not only relates to technological equipment but also to workshop and hoisting facilities.

Fourth, carry out technical reform centered on improving standards for complete sets of equipment. The machine-building industry must in the future supply various departments of the national economy with complete sets of equipment. There are still some gaps and shortages in the products, as in, for example, some automatic-control instruments and meters. In order to raise the standards of complete sets, there must be a technical reform that will fill the gaps in production capacity.

Fifth, carry out technical reform centered on basic technology and basic parts. Regardless of how the products of an enterprise are improved and developed, some old technology and parts must still continue to be used. To place the focal point of technical reform on basic technology and basic parts will have long-ranging effects on the enterprise itself, and for other plants it will be a case of "one family solves a problem and a hundred families benefit from the solution."

Sixth, carry out technical reform centered on bringing the "three wastes" under control and on protecting the environment. First, reform technology and increase production of equipment necessary to bring under control the "three wastes" and pollution in today's production; second, reform the products so that they conform to the demands of environmental protection; and, third, supply the equipment necessary for industry as a whole to control the "three wastes." All these are production tasks that the machine-building industry must complete.

In a word, there is a lot of work to be done in carrying out technical reform centered on improving the quality of enterprises. The idea that "if there are not enough production tasks, technical reform is unnecessary" is intolerable. Precisely there is where the opportunity for readjustment should be seized and technical reform thoroughly carried out. Naturally, the above-mentioned six aspects apply to the machine-building industry as a whole. When each enterprise is determining the focal point of its own technical reform, it should proceed from the actual situation, make a concrete analysis, and not copy another enterprise mechanically.

Some Principles To Be Followed in Technical Reform

In technical reform, besides selecting well the focal point of the reform, some principles must be followed. If this is not done, the technical reform will not yield good results.

First, advances must be made in technology which rationalizing the economy, making the improvement of economic benefits the starting point and stopping point of the technical reform.

A technical economic analysis must be made for the technical reform plan. For all problems that can be solved by reforming products and reforming technology, do not make a big pile of equipment; for all problems that can be solved by using more work places and specialized machinery, do not operate a production line; and for all problems that can be solved by reforming cutting, pressing, and molding tools and by taking measures for installation and fitting, do not perform major surgery in reforming equipment. In short, the industry must obtain for the smallest price possible the greatest economic benefits possible.

In carrying out the technical reform, one cannot just make a general statement that the quantitative increase is so much and the output value increase is so much, and look at the changes shown by each technical economic indicator, such as whether consumption and cost have fallen, whether quality and productivity rate have risen. One must calculate the investment return period and the profit margin on the funds invested, linking investment and benefits together in evaluating economic results.

In some situations, a concrete analysis must be made. For example, by improving product quality and bringing the "three wastes" under control, an enterprise might temporarily not obtain any direct economic benefit but there would be marked social benefits. This must also be taken into account when studying the results of technical reform.

Second, starting with its weak links, the industry must pay attention to improving its overall production capacity.

The goals of technical reform might have nothing at all to do with each other, but for all of them the industry must first find the weak links that are bottlenecks and afterward provide remedies and solutions for them. After the technical reform, the industry must maintain a balance among the working processes, parts, and complete sets of products, and avoid unevenness and gaps. If the reform is carried out without regard to actual requirements, making the capacity of an individual production link or of several production links too large, they cannot be utilized to the fullest, and funds will be overstocked and materials wasted, causing trouble for production management. Only by raising the overall production capacity can there be genuine results from the technical reform.

Third, integrate the technical reform with the reorganization of the machine-building industry.

One way to do this is, when formulating the plan for technical reform, one must take into full consideration the plan for reorganizing the machine-building industry and not carry out the reform without regard to the reorganization, in order to avoid waste caused by having to do poorly done work over again. The second way is to have the technical reform serve and promote reorganization. Priority must be given to good technical reform of special technology plants and special parts plants, fully displaying the superiority of the good product quality, low consumption, and low cost of specialized plants, thereby further promoting and consolidating the results of the reorganization of the machine-building industry and gradually solving the problem of duplication in distribution, construction, and production.

Fourth, have clear and definite aims, link the near with the far, unify plans, divide the work into steps and complete the job.

In carrying out technical reform, we must, first of all, have clear and definite aims--without aims there is no base. When making the aims clear and definite, one cannot rely on thinking only of what is natural, and also one cannot rely on the words of a responsible comrade, but one certainly must make a market forecast and a scientific analysis, so as to insure that the aims suit the actual circumstances. The aims must link the far and the near, avoiding by all means the two erroneous tendencies of being short-sighted or of biting off more than one can chew. By only looking at what is near and ignoring what is far, the first reform will not be

completed and a second reform will be necessary, wasting a lot of money on "building up and then pulling down, pulling down and then building up;" by only looking at what is far and ignoring what is near, there will be a waste caused by idle production capacity and overstocked funds and equipment.

After formulating rational aims, owing to the fact that manpower, material resources, and financial resources are limited, one must follow the principle of "unified planning and division-of-steps realization." Take, for example, an instrument plant that produces optical transits. As the quality of parts was poor and the output of complete sets of machinery was low, the plant could not satisfy consumers' requirements. After making an analysis of the situation, the plant planned and built four production lines and separated the work bottlenecks into four key parts. Because of insufficient investment, it decided to, first of all, concentrate its strength on designing and building a combinational machine for one key part. It also transferred the equipment and personnel thus released to production of the other three key parts. Afterward, it gradually reformed the production conditions for these three key parts, changing the situation from being "outside one's power" to being "within one's power."

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BRIEFS

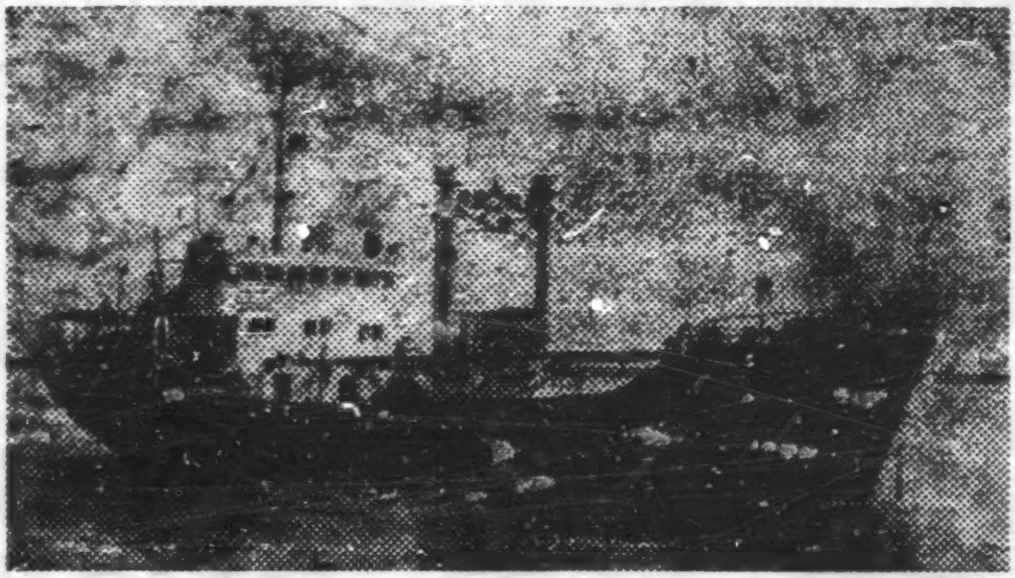
MARINE DIESEL LICENSING CONTRACT--The German owned B&W Diesel has just entered into a licensing agreement with China. The statement is being made only a few weeks after the B&W Shipyard could report an enormous order to build four ships. The government authorities in China have approved a licensing agreement between Shanghai Shipyard and B&W diesel A/S. The agreement gives Shanghai Shipyard and the engine factory, Zhen Jiang Marine Diesel the right to produce B&W Diesel's medium-speed engines of the types T20, T/V23, S/U28 and later constructions within the same range of horsepower. Zhen Jiang Marine Diesel is situated in the city Zhen Jiang by the Yangtze River, approximately 300 kilometers from Shanghai. It is at this factory the production of the B&W engines will take place and there is here referred to as a modern factory under construction which, in its expanded form will cover approximately 25,000 square meters of workshop area and have about 700 employees. Within a short period of time, the Chinese authorities have approved still another licensing agreement between a Chinese producer of diesel engines and B&W Diesel A/S. The contract has been entered into with China Corporation of Shipbuilding Industry and includes the licensing rights to the production of B&W Diesel's newest two-stage engine program. The licensing agreement should be seen as a result of B&W's long-standing trade with China which was heavily intensified 2 years ago when collaboration between Shanghai Shipyard and B&W was started. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 14 Oct 80 p 8] 9667

CSO: 3106

CHINA LAUNCHES ITS FIRST MAIL SHIP; WILL RUN BETWEEN DALIAN, YANTAI

Beijing GUANGMING RIBAO in Chinese 22 Oct 80 p 1

[Photograph and caption]



China's first mail ship, the "Swan Goose No 1," went into service recently. The mail ship carries 500 tons of mail and is equipped with the latest in navigation aids and has a mail sorting room capable of sorting mail at sea. It will run between Dalian and Yantai but will actually serve all three of the northeastern provinces and eastern Shandong.

CSO: 4006

END

CHINA OCEAN SHIPPING ORDERS FOUR BULK CARRIERS FROM DENMARK

Copenhagen BERLINGSKE TIDENDE in Danish 2 Oct 80 p 13

[Text] Burmeister & Wain's Shipyard Inc has entered into a contract with China's state-owned shipping company, China Ocean Shipping, for the delivery of four bulk carriers, of approximately 64,000 tons each. It is a question of an order for approximately 800 million kroner. To the shipyard on the Refshale Island, the order means that employment has been secured till some time in 1983.

The big order comes at a time when shipbuilders within the EC have asked the Economic Commission for Europe to attempt to persuade Japan to cut down on its new construction activities. For Japanese shipbuilders have got nearly 60 percent of the total shipping tonnage ordered this year from shipyards throughout the world. Expressed in precise terms, Japanese shipyards have got 59.8 percent of the total volume of orders as against 48.4 percent last year, while the share of the EC countries has dropped from 11.6 percent to 8.5 percent.

Additional Orders Expected

The B & W shipbuilding company states at the same time that additional contracts for ships of the type which are just able to pass through the Panama Canal are being negotiated, including a contract for two bulk carriers for a shipping company in Hong Kong. The B & W shipbuilding company already has five ships on order of this type and has thus, in less than 12 months, landed export orders for approximately 1.7 billion kroner. The first delivery to the Wheelock Marden shipping company in Hong Kong will take place by the turn of the year. This will be followed by a second delivery to the same owners in 1981, together with three sister ships to the Norwegian owners Thorvald Klaveness. The four ships for China will be delivered in 1982 and 1983.

Saves Oil

The background to the great interest in these very bulk carriers is, of course, the growing need for grain and coal transports. B & W has

previously, in the sixties and seventies, built a series of a total of 37 bulk carriers.

Since then, the type built by B & W has been further developed specially with a view to economizing on the costly bunker oil. The shipbuilders themselves claim that their type of bulk carrier can save 15-20 percent of the fuel consumption compared with more conventional bulk carriers of the same size. This is due partly to an improved design of the hull after numerous experiments in the model tank at the Ship Research Laboratory at Hjortekær, but also to the B & W long-stroke diesel engine. It would have a fuel consumption of less than 40 tons in 24 hours at an average speed of 15 knots.

The bulk carriers are being built for the Norwegian Veritas class and are 225 meters long, 32 meters wide and have a draught of 13 meters.

7262
CSO: 3106

BEIJING CONTINUES TO INVIGORATE ITS FOREIGN TRADE

Beijing BEIJING RIBAO in Chinese 30 Aug 80 p 1

[Article: "The City's Lively Foreign Trade Continues to Develop"]

[Text] This city's lively foreign trade has been further developed and increased. This year, 84 contracts have already been signed with foreign businessmen, including 60 for import of materials for processing and import of parts for assembly, 19 for compensation trade, and five for repair services and technical cooperation. The income from processing work and the compensation trade form are being used to bring in 300 kinds of equipment and instruments. The number of agreements has increased 3.5 times over last year, and the total value is up 7 times over last year.

This year, as foreign trade work has steadily developed, many enterprise management comrades have become more and more flexible in their thinking, have increased their commercial abilities and have found more and more possibilities. By means of compensation trade and the like, they have actively linked the attracting of technology with enterprise technical advancement, and have raised their enterprises' production technology levels.

As regards the level of processes and technology, much of the technology and equipment brought in by this city is advanced 1970's level. When these agreements are implemented, the existing enterprises' renovation and transformation will be further accelerated, and the technological level and management level of these trades will be raised considerably. The Office of Electronic Equipment has signed 13 agreements on import of materials for processing and import of parts for assembly with plants in such places as Japan and Hong Kong, dealing with radio-recorders, tape recorders, color televisions, 12-inch black-and-white televisions, pocket computers and loudspeakers. The processing income which they earn will bring in more than 140 kinds of key measurement and testing instruments and more than 1,200 tools of various types which this country lacks and urgently needs for production. These instruments and tools have been used to improve 6 assembly lines for black-and-white televisions, console-type radio-tape recorders, color televisions, tape recorders, and pocket calculators and have laid a fine foundation for increasing the output of household electronic equipment sorely needed on the market.

In terms of the direction of development, most of the agreements that have been signed are based on the capital's location and characteristics and are centered on high-grade, precision and advanced products of the light textile and electronics industries, along with some pollution control items. In the first half of this

year, various units belonging to the city's Second Bureau of Light Industry have contacted more than 80 factory representatives from eight countries and are carrying on 55 separate negotiations; 15 contracts and agreements have already been signed. The 16 products covered by these new agreements include aluminum frying pans, electric cooking utensils, music boxes, rubber-backed chemical fiber carpets, and women's fashions, which will give further impetus to the existing enterprises' production capabilities. The 17-88 polyvinyl alcohol produced by the organic plants is a chemical product of extensive uses needed by light industry, and the textile, printing and other industries. As the light textile industry develops, its needs are steadily increasing, and cannot be met by the domestic market, while the international market will sell as much as it has available. By compensation trade the organic chemistry plants have brought in eight equipment units, which together with associated comestic equipment can be used in a set of new equipment with an annual output of 1,000 tons of 17-88 polyvinyl alcohol. The 8 imported pieces of equipment have already been received. The plants are in the process of organizing technical personnel and workers to install them and are striving to get them into production by the end of the year. A set of electric furnace dust removal equipment obtained by the Beijing Steel Plant from Sweden in compensatory trade will make it possible to solve a long-standing pollution problem.

Extensive development of foreign trade can also make it possible to process foreign-supplied raw materials for production of export items. The Peking Canvas Cloth Plant has signed a contract with the Hong Kong Li Sen Company to take on raw materials processing tasks for it, thus increasing the supply of raw materials, so that its production capabilities have been more thoroughly brought into play. Compared with the equivalent period last year, in the first half of this year output value has increased by 12.17 percent and profits paid to higher levels have increased by 9.1 percent.

8480
CSO: 4006

ZHEJIANG FINDS INTERNATIONAL MARKETS FOR ITS MACHINE PRODUCTS

Hangzhou ZHEJIANG RIBAO in Chinese 1 Sep 80 p 1

[Article: "This Country's Machine Products Go to Foreign Markets"]

[Text] The business department of this province's machinery and equipment import and export company recently received a letter from a Canadian trade representative placing an order for 200 Shuangge Brand chain blocks from the Zhejiang No 5 Machine Plant and requesting to order an additional 500 next year. The representative had learned from the World Trade Directory that China supplies this kind of chain block. It is understood that since this March, when it began to do its own foreign trade work, the province's machinery and equipment import and export company, such letters and telegrams containing orders or involving trade talks have been averaging 2-3 a day, with a maximum of 10 a day, and 21 foreign trade delegations including more than 60 persons have been received. It is unprecedented that Zhejiang's machine products should attract such interest on the international market.

"High product quality is the passport to the international market," is the experience of the staff and workers of this province's machine industry. The Xihu brand upright drill produced by the Hangzhou Xihu Drill Press Plant is a traditional machine product export of this province, which has long been well known in the Southeast Asian market. But during the time that the "gang of four" held sway, product quality dropped and it lost its market in many countries. Once the "gang of four" was smashed, this plant made a determined effort to improve product quality, and again established the product's reputation, so that old customers continued to place orders and many new customers were eager to buy it. The plant's export quantity last year was 28.5 percent over the preceding year, while this year it is up 40 percent over last year. As a result of their improved quality, our province's machine products have raised their reputation on the international market. The M7130 surface grinding machine produced by the Hangzhou Machine Tool Plant was improved in 14 areas in an effort to refine it still further, and the product's intrinsic quality and capabilities were clearly improved, so that it received extensive good evaluations in foreign trade. At this year's spring Canton Trade Fair, an American commercial representative asked specifically for this grinding machine produced by the Hangzhou Machine Tool Plant. Currently this product is not only selling well in Hong Kong and Amoy, and Southeast Asia, but is also being sent to far-away European and American markets. This year's export quantity is more than double last year's.

In order to make machine products find a ready outlet on the international market, this province's machine industry gives full attention to the operating conditions, production practices and meteorological environment to which the products it sells are subjected and is continuously improving the design of older products. The Phillippine climate is rather humid, and under these conditions insulating parts inside generators very easily mildew. The Hangzhou Generating Equipment Plant, which produces generators for export, has organized a group to carry on research, improve product design and enhance anti-moisture, anti-mildew features. Phillippine trade representatives are very pleased with this, and recently they signed a generator production technology transfer agreement with the plant. Foreign users generally use English-system units, so they have changed the metric graduations to English units. The foreign users wish to use fork lifts for bay storage of warehouse commodities, so they have devised 5 different fork lift devices in such a way that one fork lift has many uses. The Feige brand chain block produced by the Wulin Machine Plant in Hangzhou originally could only be used for vertical hoisting, but when they realized the the Australians are accustomed to slant hoisting, they immediately began to study design improvements so that the chain blocks could also be used for slant hoisting.

In this province's machine industry, workers and staff have also studied new international market needs via various channels and are actively producing many new products required by foreign purchasers. The Dongyang Hydraulic Equipment Plant learned from relevant quarters that country vacation houses are numerous abroad and that many are near mountain lakes. In view of this circumstance they organized a group to develop a 5-kW oblique-impact hydraulic generator. This miniature generator set is of simple design with excellent characteristics, takes up a small area, can generate electricity without using a very large quantity of water, and is very suitable for rural vacation home use. The head of the Haimen Machine Tool plant heard a foreign trade representative at last year's fall Canton Trade Fair say: "I have serached everywhere at the fair and cannot find a simple upright drill." Unbeknownst to the speaker, his words were taken to heart. The plant immediately found out from the relevant quarters what type of upright drill the trade representative was referring to and what its uses were, and when the plant official returned to the plant he immediately organized a group for experimental development of one. When this new product was taken to this year's spring Canton Trade Fair, a foreign trade representative saw it before it had even been unwrapped, and immediately ordered 10. According to incomplete statistics, to date the provincial machinery system has more than 24 newly-added export products in production.

It is because the adaptability of the products on foreign markets has been increased that they have greatly increased their market, business is steadily expanding. As of the end of this July, the total value of export products for which the provincial machine building system had signed contracts with foreign trade representatives was already 20 percent of the total export amount for the whole of last year.

8480
CSO: 1006

MEASURES TO HELP MOUNTAIN AREAS EXPAND EXPORTS ADOPTED

Hangzhou ZHEJIANG RIBAO in Chinese 17 Sep 80 p 1

[Article: "Helping Communes and Brigades in Mountainous Areas to Expand Their Output of Export Products"]

> [Text] Editors' Note: The foreign trade departments' assistance to construction in mountain areas aims primarily at utilizing mountain districts' resources to produce export products, thereby using foreign trade channels to stimulate the districts' economic development, with the result that the peasants' income in such regions is increased. This is also an important way in which the foreign trade departments can expand sources of export products. Currently, the income of peasants in many mountain areas in this province is rather low, and their economy is not very energetic. Their cadres and commune members urgently hope that the relevant department will show them ways to grow richer, so that the mountain regions will quickly become better off. Following a survey, the provincial foreign trade office has made new arrangements for stimulating construction in mountainous regions; their method is worth study by all localities.

On the basis of the provincial committee's plan for accelerating construction in mountainous districts, the provincial foreign trade office's leadership comrades have led a group which went to the mountain regions to make a survey, and on the basis of the needs of the international market and the actual situation in our province's mountainous regions they have made new arrangements regarding ways of utilizing the mountainous regions' resources to develop the output of export products and aid development in the mountain areas.

/Actively assisting the communes and brigades to use local resources in expanding their output of processed commodities, focusing on bamboo, wood and grasses./ Indocalamus, cogon grass, alpine rushes, barley straw and the like are excellent materials for export items made of grasses. By means of good design, continuous innovation and expanded foreign sales, within a year they can be made into top selling items worth more than 100 million yuan. Thus the processing proceeds made available to rural commune members in a year could reach 50 million yuan. Provided that the assignments for sale of mao bamboo to the state are completed and that the amount of mao bamboo in storage is increased, we will actively assist communes and brigades in developing bamboo products for export. At the same time,

thorough utilization of mountain wood resources and development of a large variety of processed items for export from minor raw materials is also an important way of expanding mountain regions' output of export items. It is important in this connection to make a sufficient effort to train a technical cadre and to take the time to create new designs so as to create products of a unique character.

/The mountain regions are rich in pasture lands, and such slaughter livestock as cattle, sheep and rabbits may be raised in large quantities./ An energetic effort should be made to develop good beef cattle for export. Good imported beef cattle varieties should be bred with indigenous mother cows to produce good varieties; this has been shown to be possible in practice. The raising of goats has also great promise for development. Cured goat skins, goat-gut sausage casings and young goat skins are much needed for export, and bring a good price. Rabbit raising is not yet widespread in mountainous regions, and good rabbit varieties are not yet numerous. More good fur-bearing rabbit varieties should be introduced and bred, and efforts should be made to make them into fast-selling products worth more than 100 million yuan within 2 or 3 years. The local textile industries can be expanded and converted to concentration on rabbit fur for export. At the same time, rabbit production for meat should be expanded in systematic fashion, and comprehensive utilization developed with good rabbit skin processing.

/Actively develop mineral export products./ Our province's underground resources are numerous, including rich reserves of minor nonferrous metals, Fei Shi [1468 4258], marble, quartz, granite and the like. The foreign trade departments will continue to support concentration on development of mineral products for export by some regions. Currently there is a pressing need to explore the resource situation so as to develop resources selectively and systematically.

/Make full use of women's labor in rural regions and develop labor-intensive products such as embroidery./ Drawn work is one of our province's fast-selling export items, with great promise for expansion. This year the processing income distributed in the countryside will exceed 60 million yuan. In the future we must gradually solve the following problems: (1) reasonable geographical distribution and planned expansion into mountain regions; (2) strengthening of the technical and design cadre so as to effect continous product innovation; (3) conscientious implementation of the rural economic policy, and active support of legitimate family sideline enterprises with the increas in income going to the individual commune members; (4) gradual arrangement of independent production of the thread and cloth used in drawn work within the province so as to increase initiative.

/Continue planned creation of a group of agricultural sideline export products base and export canning materials base./ In the future we propose to adopt three methods: (1) joint operations by the foreign trade department and the localities, with the products sold directly by the foreign trade departments; (2) independent operations by the localities with the foreign trade departments providing the necessary financial and material assistance; (3) creation of export canning materials bases centered on canneries; such method as joint operations by the cannery and the brigade with distribution of a proportion of profits may be adopted.

As regards farming, the foreign trade departments will help mountain districts develop valuable medicinals, spices and oils, Dalmatian chrysanthemum and the like on the basis of specific local conditions. Such fruit delicacies as loquats, honey pears, plums and the like, as well as sweet fruit such as southern dates and jujubes, can also be actively developed.

TRANSPORTATION

QINGHAI PEOPLE'S CONGRESS DEPUTIES DISCUSS BRIDGE COLLAPSE

SK170702 Xining Qinghai Provincial Service in Mandarin 1100 GMT 15 Oct 80

[Summary] This afternoon, Xining municipal deputies to the Third Session of the Fifth Provincial People's Congress addressed an inquiry on the serious Jianca Bridge collapse accident.

(Yuan Wenjun), director of the Provincial Communications Bureau, answered questions raised by the deputies. He said that construction on the Jianca Bridge, 174.62 meters long, 20 meters high, 8.5 meters wide and 100 meters in span, was initiated in May 1978. On 9 September 1979 all the arches were joined.

At 1043 on 17 September, a serious collapse occurred, and 19 persons died. Two others were seriously injured. The economic loss incurred was about 300,000 yuan.

"Discussing the reasons for the collapse (Yuan Wenjun) said: As far as the leadership is concerned, the basic reasons [for the incident] are a lack of a strict scientific approach and a violation of construction procedures. In addition, there were many technical problems in design and construction. The bridge arch was originally designed to be composed of five parts, but it was later changed to be composed of seven parts. Following only one meeting--and without a blueprint--it was again changed to be composed of nine parts. The reason given was that the hoisting equipment was not adequate. The fact that technology is a science and should be respected was ignored.

"In addition, we did not have professional knowledge and were very bureaucratic. Although a responsible person of our bureau visited the construction site to inspect the work, he visited on very few times and discussed only paying attention to safety and quality without giving specific instructions on ways to improve quality and pay attention to safety.

"(Yuan Wenjun) said: Following the accident, we submitted six reports to the provincial people's government to give a detailed account of the reasons for the accident and why it happened in an effort to decide as quickly as possible who should be held responsible and draw lessons from it. However, since there were arguments on technical problems involving the accident, no unanimous conclusion has been reached. Responsible comrades of the provincial government have paid close attention to this accident. We believe that it will be handled properly in the near future.

END

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5 November 1980

China Report

ECONOMIC AFFAIRS

No. 95

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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5 November 1980

CHINA REPORT

ECONOMIC AFFAIRS

No. 95

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JOURNAL DISCUSSES OWNERSHIP OF MEANS OF PRODUCTION

HK140915 Beijing JINGJI YANJIU in Chinese No 9, 20 Sep 80 pp 21-22, 33

[Article by Yuan Peishu [5913 1014 2885]: "On Ownership of the Means of Production Not Belonging Within the Scope of Production Relations"; passages enclosed in slantlines printed in boldface]

[Text] In the current discussion on production relations being an objective of political economics in economic academic circles, many comrades ascertain that ownership of the means of production is a decisive factor in the production relations. Is ownership of the means of production a decisive factor in production relations? Does it belong to the scope of the production relations and is it an objective of political economic study?

The following is a presentation of my views:

/1. Onwership of the Means of Production Is Not a Decisive Factor in Production Relations/

I think that ownership of the means of production is not a decisive factor in production relations. The main reasons are as follows:

(1) Seen from the content of the concept of the nature of production relations, the view that ownership of the means of production determines the nature of production relations is based on the prerequisite of the misunderstanding of the question as to what does the nature of production relations refer to. Well, what does the nature of production relations refer to? Does it refer to the private nature or public nature of a certain kind of production relations? Does it mean that a certain kind of production is beneficial to this class or to that class? Does it mean that a certain production relation is fair or unfair, rational or irrational? I think that this is an incorrect understanding of the nature of production relations. At least it is incomplete. The nature of production relations should refer to whether the production relations conform to the productive forces or not, and whether they promote or restrain the development of productive forces. The nature of production relations should be judged by the relation between productive forces and production relations. Only in this way can we correctly illustrate the role and evolution of a certain production relation in history and judge correctly whether the production relations are advanced, backward or reactionary.

Otherwise, on what basis can we claim that the capitalist production relations on the ascent are progressive when the means of production remain in the hands of the bourgeoisie and seek profits for the bourgeoisie all the time? And on what basis can we say that capitalism, developed to imperialism is partially degenerated and becomes decadent?

(2) The development of production relations cannot be determined by ownership of the means of production. If we admit that the ownership of the means of production determines the development of the production relations, an ironclad logical force will inevitably push people constantly toward "incessant transition" and "transition into poverty" because as long as we change the ownership of the means of production, we can determine the development of the production relations. Which good and honest person does not long for a higher form of production relations? What consequences will this lead to? The disaster caused by the "gang of four" provides a historical answer through practice.

(3) Seen from the system of production relations in a certain social form, the view that ownership of the means of production determines the nature of production relations will inevitably sever the internal organic ties and the interrelationship coexisting in the various production relations in a certain form of society. Marx said: "In all social forms, there is a certain kind of production which dominates the position and influences all forms of production. Consequently, its relation also dominates the position and influences all other relations. This is a light which shines on all. All other colors are hidden by it and it changes the characteristics of all these other colors... Just as in ancient society and feudal society, farming was in a dominant position. There, industry, industrial organizations and the correspondent industrial form of ownership were more or less tinted with the nature of land ownership... In the middle ages, even capital--so long as it was not pure monetary capital--in the form of traditional manual tools, etc. All carried this nature of land ownership." ("Selected Works of Marx and Engels," "Introduction To Critique of Political Economy," vol 2, pp 109-110) This passage is very clear and all other explanations are superfluous. Just one example is cited: Why do we say that the domestic sideline production of members of people's communes in the countryside in our country and the private plots supplemented socialist economy and were distinguished in their nature from small production before the formation of cooperatives? Seen from the ownership of the means of production, this part of the economy has not undergone any change in nature.

(4) The emergence and nature of the ownership of a certain means of production itself have to be illustrated by the production relations on the other hand.

The emergence and formation of any means of production are not determined by the subjective will and action of people, but are the outcome of the development of a certain production relation. Marx made a detailed analysis of this point in the "Introduction to the Critique of Political Economy." ("Selected Works of Marx and Engels," "Introduction to the Critique of Political Economy," vol 2, pp 99-100) Marx also pointed out clearly: "The ownership of capital is not formed just because the owner possesses the means of production and means of

livelihood. Capital is formed only when the owner of the means of production and means of livelihood find free workers in the marketplace who are willing to sell their labor and this condition alone is incorporated in world history." (Marx: "Capital," People's Publishing House, 1975 edition, vol 1, p 193)

The historical nature of the ownership of any means of production cannot be determined by the question of who grasps the means of production but can only be scientifically illustrated from its production relations. Marx said: "The correctness of the ownership of land, just like the correctness of all other types of ownership under a certain form of production, must be illustrated by the temporary historical inevitability inherent in the form of production itself and thus has to be illustrated by the temporary historical inevitability of the production relations and relations of exchange thus produced." (Marx: "Capital," vol 3, p 702)

/II. Means of Production Do Not Belong to the Scope of Production Relations and Is Not an Objective of Political Economics/

The so-called ownership of the means of production is still strictly restricted to the meaning of "who owns" and "who distributes" the means of production, which is the ownership of the means of production. To clarify whether the ownership of the means of production in this sense is the objective of political economics, I feel that we must first clearly distinguish between two questions: First, distinguish between the various specific meanings of the scope of ownership used by Marx on different occasions. Second, distinguish between the ownership of the means of production itself and the ownership of the means of production realized in the economic process.

What I have learned from my studies is that Marx gave ownership three different meanings. The first is in the most abstract meaning, that is ownership in the sense of possession of nature by producers. Second, is who owns the means of production or the distribution of conditions of production among people on a social scale. It is normally described as ownership of the means of production and ownership in this sense is specified as a "condition" in production and the "basis" for the form of production. Third, ownership is taken as the sum total and in the sense of production relations. Marx's relevant discussions on the second and third sense of the scope of ownership have been quoted many times by people holding different viewpoints in this current discussion. They cling to their own views and argue constantly. The first meaning of ownership tends to be used by people to fit their own requirements and is mixed with the other two meanings.

I think that the key link in the question does not lie in the differentiation between the three different meanings of ownership. What is more important is which meaning should be an objective of the study of political economics. Therefore, it is necessary to refer to the second question, to distinguish between the ownership of the means of production from the economic realization process or actual form of the ownership of means of production, which is to distinguish between the second meaning and third meaning of ownership. I think that it is only possible to include the third meaning of ownership

as an objective of study of political economics, which is in the sense of the sum total of the production relations. The reasons are:

(1) The first meaning of ownership, which is the possession of nature by producers, is the synonym for production and cannot be taken as the objective of study of political economics. This is evident. Why cannot the second meaning of ownership (that is who owns the means of production) be taken as the objective of study of political economics? The target of study of political economics is the production relation. This point is recognized by all. The production relations, no matter whether understood in a narrow sense or broad sense, generally refer to the interrelation between people in the process of production. Engels clearly pointed out, "That economics study is /not/ material but human relationships, which are in the final analysis, relationships between classes. However, these relations are bound to be /integrated with material/ and /manifested as material/." (Engels: "Selected Works of Marx and Engels," "Critique of Political Economy," vol 2, p 123) We must master two essential points here: That economics study is neither material nor the relationship between human beings and material, but the relationship between people. The relationship between people which is "integrated with material and manifested as material" and the relations between people and between human beings and material are two basically different things. Ownership in the second meaning refers to who owns the means of production. What it manifests is precisely the relationship between the owner and the owned, which is the relationship between human beings and material. The relationship between people and material revealed in scope in this sense can completely exclude the relationship between people in the course of production and can exist outside the production process. For example, what is manifested in land ownership is only the exclusive monopoly of a certain part of the globe by individuals or collectives. Scope in this sense only shows the exclusive relationship between the owner and the land. Here it precisely takes the exclusion of all nonowners as its prerequisite. In other words, it precisely takes the exclusion of the relations between people as its prerequisite. Otherwise, land ownership is an empty word. Engels explained this profoundly: "Political economy starts from /commodity/,... the product entered into the exchange is commodity. However, it has become a commodity only because in this /material/ and in this product, the /relationship/ between two individuals or two communes, is integrated; that is, the relationship between the producer and the consumer. Here, the two are no longer integrated in the same person." (Marx and Engels: "Selected Works of Marx and Engels," "Critique of Political Economy," vol 2, p 123) The starting point of political economy is commodity. Why? Because the material of commodity has already integrated the relationship between two people or two communes. This is to say that it has already embodied human relationships. [HK140919] Before this starting point, outside the sphere of exchange or circulation, all products undoubtedly have owners. But there, the owner only has a relationship with his own products and does not come into contact with other producers. There is no relationship between people. Economics then cannot start with this point. It can thus be seen that the starting point of economics should be the same as the starting point of the relationship between people. Before the beginning of the relationship between people, for example,

in places with the ownership of the means of production, although the relationship between the owner and the material owned exists, there is no relationship between the owner and other people. Therefore, it should be excluded from the scope of interpersonal relationships studied in political economy. Once the owner has developed a relationship with other people through the material owned and includes the material which he owns in production as a key element in production, this already marks the beginning of the production process and the relationship between people has developed, or the owner sells the material owned by him and develops a kind of relationship with others: However, all this belongs to the economic realization of the process of ownership, or it can be called the actual form of ownership in economic relationships. This is to say that it has already exceeded the scope of the second meaning of ownership and belongs to the third meaning of ownership. Thus, it can be seen that ownership of the means of production in the second meaning does not belong in the subject of political economics study. What political economics should include is only the actual form of the ownership of the means of production, which is the third meaning of ownership.

(2) Marx pointed out: "Political economics does not comprise the sum total of the /relations of properties/ in their legal manifestation, that is as the /relations of purpose/, but comprises them in their actual form, which is the /relation of production/." ("Selected Works of Marx and Engels," "On Proudhon," vol 2, p 142) In current discussion, people tend to get entangled in the problem of whether ownership is a legal form or legal terminology, and they ascertain whether ownership is the essential element in the objective study of economics on the basis of their different understandings of this problem. I think that the core of the question does not lie here, but lies in which sense of relations of ownership belongs to the target of study in economics. Marx said very clearly what political economics should include is not the ownership of the means of production itself but the "actual form" of the ownership of the production relations itself, which is ownership in the sense of the sum total of production relations as normally described by people. Otherwise, how can we explain that political economics includes the relations of property (also translated as the relations of ownership) in "their actual form, which is the relations of production?" We can only obtain the scope of the relations of ownership from the sum total of the analysis of all the theories in the whole production process in society. Marx said: "/Private ownership/ is not a simple relationship and is definitely not any abstract concept or principle, but is the sum total of the /bourgeois/ relations of production." (Marx and Engels: "Selected Works of Marx and Engels," "Ethical Criticism and Critical Ethics," vol 1, p 191) This means that what should be included as a target of study in political economics is the scope of ownership in the sense of total production relations. The ownership of the means of production in the sense of the ownership of the means of production does not belong to the scope of production relations and is not a target of study in political economics.

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THEORY OF SOCIAL PRODUCTION RELATIONS DISCUSSED

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[Article by Zhu Ling [2612 3781]: "The Object of Socialist Political Economy"]

[Text] The object of study is the first problem to be solved in the pursuit of any academic discipline. Now, our economists are discussing anew the object of socialist political economic study. No doubt this is vital to the establishment, development, and perfection of the socialist political economy. During the progress of the discussions, many scholars have prepared written materials to criticize the traditionally held theory of the "trichotomy" of production relations. But is the subject of socialist production relations the only object or just one aspect of the pursuit? What do socialist production relations imply? What are the relative positions of the internal relationships within socialist production relations? One often finds too many conflicting answers to these questions, and sometimes none at all. This author would like to take the liberty to offer his superficial observations for public comment and criticism.

I. What the Research Object of Political Economy Is

Viewed theoretically, the process of social production is the production and reproduction of material means of subsistence for mankind. It is also the process by which social production relations (broad production relations) or economic relations are produced and reproduced. The former denotes the process of direct production, exchange, distribution, and consumption (a process by which mankind reproduces itself). The latter covers production relations (strict), exchange relations, distribution relations, and consumption relations. The latter are the research object of political economy. That is why Marx pointed out emphatically: "It takes imagination rather than a microscope and chemical reactants to analyze economic formations."[1] Capital, which controls production relations in a capitalist society, is the research object of the political economy of the capitalist society, as delineated by Marx when he overhauled the science of political economy.[2] This is borne out by the fact that he entitled his masterpiece on political economy "Das Kapital." Marx disclosed in Volume 1 of this book the strict production relations of capital--the relations between capital and labor. In Volume 2 he dealt with the exchange relations in capital circulation between industrial capitalists. In analyzing the total capitalist production process, he revealed in Volume 3 the distribution relations of capital and how relations between capital and capital overshadow relations between capital and labor. He

provided a full exposition on the different forms which capital takes in various areas of social production and the various aspects of the production relations in a capitalist society, as seen from the different links of the capitalist production process. The research object of a particular academic discipline determines the method and scope of study. Since the research object of political economy is production relations, the research method should be an abstraction which covers the process of social production and reproduction of material goods.

Social production relations are formed by people in the process of the production of material goods. There is no other way to discuss social production relations apart from this process. For a long time, students of theoretical political economy have claimed that Stalin's "trichotomy" has simplified the socialist production relations. Instead of extracting economic relations from the real economic process, they confine themselves in the merry-go-round of the ownership of the means of production and the relations between people, or simply let conclusions drawn from mutually supporting relations between particular comrades take the place of research into the social production relations in socialist societies. This kind of "production relation" is not at all the kind of lively objective relations of people in the process of real economic operations. It is simply political jargon. However, in rectifying this abuse, some comrades have introduced to the research object of political economy several other factors such as productivity, and they treat social production relations as only one phase of the object.[3] For instance, some are in favor of including productivity in the object; they claim that political economy should deal with the contradictions between productivity and production relations. In reality, the production relations mentioned in this connection are strict production relations and not the social production relations. They have actually narrowed down the scope of the research object of political economy. The elements of productivity (workers as the subjective element, and means of production as the objective element) are also elements of production. The development of productivity is a direct production process--the unity of labor and value represented by commodity. The latter gives the whole process specific social characteristics of a specific historical period, determines the nature of certain phases of social productions relations and their internal relations, but does not equal the totality of social production relations. Productivity works directly on strict production relations but must go through strict production to work on the remaining links of social production relations. The production relations mentioned in the above view represent only one phase of social production relations, or the object of Volume 1 of "Das Kapital," unlike what some comrades have in mind, is only one aspect of the object of study. When Marx discussed absolute surplus value, he regarded the relations emerging out of the direct production process as the formal subordination of labor to capital, assuming productivity to remain constant. In his discussion of relative surplus value, assuming productivity to be variable, he regarded the relations thus revealed as the substantive subordination of labor to capital. Marx treated the three stages of the development of productivity in capitalist society as three stages of the development of productivity in capitalist society as three measures for producing relative surplus value. That is to say, capital completely dominates labor in the process of direct production in which social productivity becomes capitalist productivity, a force to oppress the workers--the antithesis of labor. His study on the whole centers around the relations between capital (the material embodiment of the capitalists) and labor (the

material embodiment of the hired workers). That is, the object is "limited to the production relations between members of society"[4] and nothing else. Taking the discussion on production of surplus value in "Das Kapital" as proof, some comrades, who do not see the difference between the object of study on the one hand and the premise and scope of study on the other, claim that productivity is also a research object of political economy.

There are still others who claim that the relationship between man and nature is a phase of production relations and ought to be included as a research object of political economy.[5] This expands the concept of social production relations. The production relations which form the object of political economy stand for historically defined relations between people in the economic process--i.e., their specific social economic relations. Although these relations are inevitably tied to the relationship between man and nature, the latter, the embodiment of all forms of social relations, cannot be the research object of political economy. Its position in this branch of academic discipline is explained by Marx in his discussion of the process of labor and the process of creating value: In discussing the process of labor, we need not bring up the relationship between workers and other forms of labor, because the process of labor requires only man and his labor, on the one hand, and nature and its materials on the other."[6]

Some people are likely to say that the law of the emergence, development, and demise of capitalist social production relations expounded in "Das Kapital" is meant to provide the proletarian revolution with a theoretical weapon, while the law of socialist economic movement revealed in socialist political economy provides a theoretical basis for the actual practice of socialism. So the object of the two ought to be different. Apparently believing that political economy covers all branches of economic science, they try to include as parts of the research object of political economy such subjects of applied economics as the allocation of productive forces and financial and business management. Other comrades claim that the object of political economy is a total framework of all forms of production, while the object of applied economics covers only parts of that total framework.[7] Personally, I think the differences between that part of political economy dealing with capitalism and that dealing with socialism spring from the historical differences in the social production relations rather than from the scope of the object of study. The socialist economy in action must continually readjust the relations between people, the relations between people and materials, and the relations between the various economic organs, so as to insure coordinated, speedy development. It needs all branches of economic science to fathom from different directions the law of socialist economic operations, because their approaches are different even though they touch upon identical areas of the economy. This explains the mutual relations of things and the overlapping of different academic disciplines, but it does not obliterate the differences in their objects of study. Although the scope of political economy, a basic theoretical discipline of the science of economics, is broader than any other branch of ecnomics, it cannot cover or take the place of all economic sciences. Its relationship with the latter is not one between the whole and its parts. The mission of political economy is to study the social aspect of economic operations from the vantage point of the relations between people in the economic process and to discover the law of social production relations from social economic movement so as to provide a theoretical basis for voluntary adjustment of the relations between people in real economic practice. Like other economic sciences, it has its own

object of study. If the object changes, it will no longer be the political economy it has been.

II. Consumption Relations Are One Phase of Social Production Relations

Most comrades have not yet touched upon consumption relations as a phase of social production relations, the research object of political economy. A few who have discussed it treat such relations as part of the economics of consumption, while others list it alongside the other three relationships. They have not assigned it a suitable position in the socialist social production relations. This is due to both theoretical and historical reasons.

From the standpoint of ideology and theory, socialist political economy is a direct successor to Marxist economic theory. Some comrades who have read Marx's "Introduction to 'Critique of Political Economy'" jump to the conclusion that Marx excluded consumption relations from the research object of political economy. The following quotation may help clarify this confusion: "Production, distribution, exchange, and consumption form a typical syllogism. Production is the major premise, distribution and exchange are the minor premise, and consumption is the particular or conclusion. They are closely related, though the relationship is quite superficial. While production is determined by general natural law, distribution is determined by accidental social conditions and may more or less enhance production. Exchange, a form of social movement, comes between the two. Consumption is regarded as the end result as well as the concluding act to achieve the final objective. It does not fall within the scope of economics, except that it may turn again into a staring point and lead to a repetition of the whole process."[8] Judging by this wording, it is not too difficult to see that Marx was narrating the views of someone else and not expounding his own views. If we read this part of the "Introduction" carefully, we will see even more clearly that in his discussion of the mutual relations of the four links, Marx was criticizing the syllogisms of such vulgar economists as Mueller. He did not endorse the concept.

Moreover, Marx's own works reflect precisely the object of study defined by various economists. Although he did not define the implications of social production relations, "Das Kapital" contains an undisputed exposition of the subject. In his examination of the process of direct production, he considered circulation to be one of the factors. When he came to circulation, production was regarded as one of the factors. Both production and circulation were factors in his exposition of distribution. Individual personal consumption was considered a factor in the reproduction process. Consumption by the working class, however, was treated as a link in the direct production process. In "Das Kapital," strict production and exchange relations are the vertical and horizontal coordinates of capitalist production relations, with distribution relations staying behind the two. Consumption relations built on antagonist distribution relations play only a subservient position in strict production relations. The fact that the individual personal consumption of the workers is regarded as an important factor in the production and reproduction of capital is because individual personal consumption by the working class transforms the means of subsistence that is given to labor by capital into labor which capital may exploit anew. The production and reproduction of labor form the capitalists' indispensable means of production."[9] Individual consumption by the capitalists is also regarded productive, because the capitalist

who becomes personified capital in direct production gains the commanding and managing authority in the capitalist production process and becomes the captain of a big industry. If there were no capitalists, there would not be capitalist production. Marx therefore did not exclude consumption relations from social production relations. He used the theoretical structure of "Das Kapital" to reflect the dialectical unity of the various phases of capitalist social production relations. Thus, when we inherit the achievement of our predecessors, we must thoroughly understand their system of reasoning and must not jump to simplistic conclusions on the strength of a few sketchy remarks.

Furthermore, inheriting and drawing lessons from Marxism does not mean copying that ideology indiscriminately. Political economy is a science of history, and our study must be based on actual economic operations. In every society, production involves four links, even though their mutual relations differ in different social production processes. Similarly, the relative positions of the various phases of social production relations are not identical. The key points of study in political economy which reflect these changes will change in theoretical structure accordingly. Engels once cited the vast difference between the political economy of Tierra del Fuego and that of England to illustrate this point.[10] The history of political economy shows that in the embryonic stage of capitalism, when society was dominated by commercial capitalists, commercial capital, the earliest form of capital, was used for the exchange of products that the capitalists had developed. So the mercantilists were interested in studying the exchange of commodities and the ensuing exchange relations. Later, when industrial capitalists became dominant, the merchants became both merchants and industrialists and launched large-scale production to enhance commerce. Thus, industrial capital replaced commercial capital to dominate the scene. These tremendous changes in objective economic conditions led the classical political economists to switch their attention from circulation to production, around which all theories revolved. As capitalist production developed, the manufacture of commodities became the most popular form of capitalist production. When capitalist production and exchange became separate and independent, Marx was interested in the unity of opposites in the relations between production and exchange. This, as mentioned above, provided the structure of "Das Kapital." The structure of this system of political economy is based on the four links of social production and the theoretical manifestation of the internal structure of social production relations. Since the latter are changes brought about by historical development, the former cannot possibly remain constant and immutable. The difference between the socialist economic process and relations on the one hand and the capitalist economic process and relations on the other is shown in the structural differences between these two systems of political economy, their theoretical manifestations. Consequently, to have a socialist political economy modeled entirely after "Das Kapital" goes against objective reality and historical materialism. The position of consumption by the working class in the socialist economic process is completely different from that under capitalism or even in any preceding economic period. The most important reason some comrades excluded consumption from the research object of political economy is thatthey overlooked the reality of these changes.

While consumption for production is a production process, individual consumption is what consumption really means. Marx explained very clearly in his "Introduction" the role of consumption in the social production process and in the relations

of the other three links. Now I would like to discuss the unique position of consumption by the individuals in the social economic process. First of all, a socialist society is one in which the workers are the masters and labor replaces capital as the controlling economic force. The individual consumption by the working class is not only a factor in production and reproduction but also the very purpose of social production. This is due to a dissimilation of the historical nature of the social production process. To produce for subsistence is a human instinct. In a primitive society, production is for consumption by the workers themselves. In a slave and feudal society, production is for the enjoyment of the ruling class, while the need of the workers is not a factor to be considered in producing for consumption. In a capitalist society, surplus value is the primary objective and motivating force of production. Under socialism, wherein the workers, the masters of society, have gained control over the management of production, the purpose of production returns to its original meaning as it reaches a higher level of development. It meets not only the consumers' need for a means of subsistence but also their need for personal development and enjoyment. This is meant "to insure that all members of society can subsist and develop their faculties freely."[11] Moreover, individual consumption is the economic motivating force of production. The reason is quite simple. Since labor is only a means for making a living, the workers cannot enjoy it as part of their own physical or spiritual activities. Consequently, man works hard in the hope of raising continually the level of his material and cultural consumption. Of course, political-ideological education can arouse the enthusiasm of the workers to a certain extent, but that is not economically inevitable and cannot replace the vital role of consumption. Only individual consumption will stimulate socialist production. It must be made clear that the purpose of socialist social production is to satisfy the consumption needs of the whole body of workers. Individuals work in the hope of raising continually the level of individual consumption by every worker. The primary objective of production by an enterprise is to earn profit, rather than to meet the consumption requirement of the workers, because [the enterprise] is an independent producer of commodities. Socialist production of commodities must use the vehicle of value to realize the growth of social wealth, to provide society with the commodities it has produced, and to insure indirectly that the consumption need of the worker is well met. So the purpose of production by society, by enterprises, and by individuals represents a unity of differences. This unity and these differences are the unity of antithesis of the three factors. The mission of political economy is to expose the law of these relations and meaningfully apply various economic mechanisms to regulate the relations between the three in order to enable social production to proceed in the midst of these contradictions.

It may be seen from the unique position of consumption as a link in the socialist social production process that these consumption relations are no longer strict production relations. They form an independent phase of socialist social production relations. However, it does not stand on a par with the other three phases. The mutual relations of the various phases included in socialist social production relations are dialectical. Their unique formations demonstrate the basic difference between socialist social production relations and other social production relations.

III. The Connotations of Socialist Social Production Relations

The socialist production process includes not only the manufacture of products but also production exchanges--i.e., the exchange of commodities used as means of production. First, the stages through which an object of labor becomes ready for consumption by individuals are all parts of the production process. The exchange commodity used by the first sector as a means of production in reproduction will continually crisscross between different parts of the production site. It may also be used by the second sector to manufacture consumer goods. "The exchange in this context represents production activities."[12] Second, under socialist planned production, the link between the exchange of commodities used as the means of production and production itself will become increasingly closer, and the two opposites of unity under capitalism will eventually merge under socialism, as public ownership develops and the degree of socialization increases. When socialist production engages in producing commercial commodities, the products must be exchanged as commodities and should not be used as ration in kind. But this is not meant to reject planned production. In producing means of production on contractual plans based on objective economic conditions provided by market survey, the difficulties involved will not be as "shocking" as under capitalism. A distinctive element separating commodity production under socialism from that under other social systems is the fact that planned production is practiced by individual enterprises as well as by the whole society. Planned production, however, does not mean production by subjective decree. The problems that have plagued our planned production have arisen whenever it is not run according to objective economic laws; they have not resulted from [any fault with] planned production as a system. [Planned production] is the objective requirement of socialized large-scale production and the subjective wish of the people. Today, the principal capitalist countries which already feel this requirement are applying planned controls to production. These attempts have been fruitful in certain economic sectors, such as agriculture. This shows that planned production and commodity production are not irreconcilable. But private ownership of production facilities under capitalism has been generally incompatible with these attempts. Planned production is necessary and possible only under socialism. The exchange of commodies used as means of production is highly developed, socialized, large-scale, planned production resembles the movement of semifinished products from one workshop to another of a single enterprise--just a link in the production exchange relations tied to direct production and production exchange, the two links in the production process, are but parts of socialist strict production.

The socialist distribution process denotes the distribution of the national income. Suppose the gross total output value is $\Sigma W = \Sigma c + \Sigma v + \Sigma m$; Σc (Σ Greek letter "sigma") then stands for the distribution of the social means of production executed by means of production exchange in the production process. The separation of Σv and Σm stands for the Grade 1 distribution of the national income. After their separation, Σv is distributed to the workers according to work, while m is distributed between the enterprises and the state. The distribution relations corresponding to the distribution processes represent another phase of socialist social production relations.

People often think that individual consumption under socialism is for the reproduction of the labor force rather than for the reproduction of mankind itself. This is not merely a matter of terminology. Under capitalism, the workers are treated as the subjective factor (labor force) of production instead of as human beings. Consequently, their individual consumption is a reproduction process of the labor force, a factor of production and reproduction, no matter whether it takes place within or outside factories or during production. Under socialism, the workers exist as human beings. They consume not only to subsist but also to develop fully their physical and intellectual faculties and to get full satisfaction from their material and spiritual enjoyment. Consumption of the essential means of subsistence may be regarded as being for the reproduction of labor force, while consumption of the means for individual development is extended reproduction of labor force. Consumption of the means of enjoyment is obviously not within the category of the reproduction of the labor force. Even though individual consumption under socialism covers the reproduction of the labor force, the two are not the same. To equate the two completely is to obliterate the historical difference between individual consumption under capitalism and that under socialism. Of course people of different social strata under socialism follow different consumption patterns. In a socialist system of commodity production, consumer goods are acquired through commodity exchange. That is to say, consumers must buy the goods they consume. The fact people satisfy their consumption needs through purchase tells the production sector "what to produce" and "how much to produce." Thus, the relations in the exchange of consumer goods are included in the consumption relations of the consumption link.

What are the positions and mutual relations of the various phases of socialist social production relations? Before discussing this subject, we must take a look at the arguments about "the form of ownership of the means of production" contained in Comrade Stalin's definition of production relations. "The form of ownership," which is the form of the distribution of production facilities, stands for the ownership and possession of the factors of production (objective factor--the means of production, subjective factor--the labor force.)[13] The form of possession of the factors of production determines the form in which the means of production and labor combine. The latter delineates the social structure of different economic periods[14] reveals the nature and form of production representing the economic structure of a given period.[15] In his proposed definition of production relations, Comrade Stalin tried correctly to underscore their decisive role. But first, "the form of ownership" used for distributing production facilities covers one of the factors of production[16] and does not cover all the relations in the process of direct production, which really include the former. So "the form of ownership" is not included in Engels' definition, which deals only with strict production relations. Comrade Stalin confused the concept by giving equal weight to "the form of ownership" and strict production relations. Second, what affects exchange, distribution, and consumption directly are strict production relations as a whole, and not just the form of ownership. In the past, people mistakenly separated form of ownership from social production relations and claimed, without studying the economic relations involved in the entire economic process, that it determines the whole content of social production relations. It is also a mistake to equate ownership relations with social production relations. This represents another extreme in trying to separate it from production relations.[17] If ownership were only a legal matter, we could say there are enough real economic relations to

support the allegation. But such relations are not the broad production relations, i.e., social production relations; they represent the possession of the factors of production involved in the direct production process. For instance, the premise of the exchange of commodities between commodity producers in a capitalist society is that each recognizes the other as a private owner. The economic relations which determine these legal relations simply cannot cover the exchange relations involving the distribution of production facilities. Marx once pointed out: "Such distribution is part of the production process and determines the structure of production."[18] (The quotation is underscored for emphasis.) Second, they use the following quotation from Marx's works to support their claim that ownership and production relations are synonymous: "In every historical period, different forms of ownership develop under completely different social relations. Consequently, to define capitalist ownership is simply to describe all the social relations of capitalist production."[19] Actually, if the context of this exposition were examined closely, one would see that what Marx had discussed is the historical background of ownership and its inseparable connection with all that is contained in the social production relations. But he refused to regard ownership as an immutable abstract concept.

This author believes a comprehensive analysis of social production relations would be obstructed if the relations involved in the possession of the factors of production were removed from their original positions. Possession of the factors of production is the principal component of strict production relations; without this, production becomes an empty image, and the unique form in which the workers and the means of production combine would be inexplicable.[20] When we take the correct approach and study economic relations in the light of the actual social production process, we must not rule out the need to explore the relations in the possession of the factors of production just because someone else has proposed basing the study exclusively on the ownership of the means of production. In explaining the formation of the relations of capital as he studied the forms in which the workers and the means of production combine, Marx explained the changes in the relations of the possession of the factors of production.[21] He used capital, hired labor, and land ownership as the basic economic categories to reflect these relations.[22]

At the conclusion of the above discussion, let us go back to the mutual relations of the various phases of socialist social production relations. Like social production in general, socialist production "controls the anthithetical rules of production as well as other factors." The form of production determines the form of distribution, just as the distribution of the factors of production determines the distribution of products. Under socialism, production and distribution determine the form and level of consumption by people of different social strata. On the other hand, as distribution and consumption stimulate production, consumption determines the scope and content of production. The level of people's consumption reflects precisely their position in the production process and the conditions of distribution between various social strata. The former is measured by the latter. Consumption relations under socialism represent the other side of strict production and distribution relations.

A clear understanding of socialist social production relations is only a general framework of the principles of socialist political economy founded on objective economic operations. The details of this framework, the specific content of every phase of socialist social production relations, rests on the scientific

derivation of economic categories from the economic phenomena obtained through studies of the actual operations of the four links of the socialist social production process. After studying the internal relations of these economic categories, [one must] duplicate them dialectically and logically both in abstraction and in substance. This is precisely the mission of socialist political economy.

FOOTNOTES

1. "Das Kapital," Vol 1, p 5, Translation by Guo Dali [6753 1129 0500] and Wang Yanan [3769 0068 0589], 1963 edition.

2. Ibid, Vol 3, p 971.

3. Xiong Yingwu [3574 2503 2745]: "The Object and Method of Economics," Heilongjiang Daxue, XUEXI YU TANSUO [Heilongjiang University, LEARNING AND EXPLORATION], No 2, 1979.

4. "What Are the 'People's Friends,' and How They Attacked the Socialists," "Complete Works of Lenin," Vol 1, p 9.

5. Zhang Wentian [1728 5113 1131]: "The Duality of Production Relations," JINGJI YANJIU No 10, 1979.

6. "Das Kapital," Vol 1, p 179. Translation by Guo Dali and Wang Yanan, 1963 edition.

7. (Luo) La-he-mu-te: "Opinions Concerning the Position of Political Economy in the System of Economic Sciences." SELECTED ECONOMIC TRANSLATIONS, No 4, 1979.

8. "Selected Works of Marx and Engels," Vol 2, p 92.

9. "Das Kapital," Vol 1, p 626, Translation by Guo Dali and Wang Yanan, 1963 edition.

10. "Anti-Duhring," "Selected Works of Marx and Engels," Vol 3, p 186.

11. Ibid, p 190.

12. "Selected Works of Marx and Engels," Vol 2, p 101.

13. This author agrees with Comrade Ma Shufang [7456 2885 5364] that the term possession relations refers to the means of production and labor. See Ma Shufang: "What Should Production Relations Cover?" JINGJI YANJIU No 12 1976.

14. "Das Kapital," Vol 2, p 44.

15. "Critique of the Goethe Program," "Selected Works of Marx and Engels," Vol 3, p 13.

16. Ibid, Vol 2, p 102.

17. Sun Yefang [1327 0396 2455]: "On Production Relations, the Object of Political Economy," JINGJI YANJIU, No 8, 1979.

18. "Selected Works of Marx and Engels," Vol 2, p 99.

19. See Lin Zili [2651 1311 0500]: "Problems Concerning the Study of Economic Theory," RED FLAG, No 12, 1979.

20. "Introduction," "Selected Works of Marx and Engels," Vol 2, p 99.

21. See "Das Kapital," Vol 1, Chapters 4 and 24.

22. "Selected Works of Marx and Engels," Vol 2 p 111.

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ECONOMIC JOURNAL DISCUSSES ENTERPRISE MANAGEMENT

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[Article by Cai Jianhua [5591 1696 5478], of the Wuhan Iron and Steel Company Party School: "On Enterprise Management Has the Attributes of a Productive Force" (title of original article was "The Management of Industrial Enterprises")]

[Text] Does enterprise management possess the attributes of a productive force? This is a question which is increasingly being asked and debated by everyone involved in studying and strengthening enterprise management. That this question has been raised, has great significance both in theory and in practice and if we are to answer it, we must establish links between enterprise management and productive forces. Our ultimate goal is to make it clear whether or not enterprise management has the attributes of a productive force. If the resulting judgment is that it does possess these attributes, what part does it play in the system of productive forces? How do these attributes of a productive force, as well as its other attributes, coexist in the overall set-up of an enterprise? In order to explain these and other points, we must first of all satisfy ourselves as to whether or not the category of productive forces includes the element of management.

While pondering the above questions, let us consider a few obvious aspects.

1. The Forces of Production Include the Element of Management

The forces of production constitute an extremely important part of historical materialism and of political economics. In Marx' works, discussions pertaining to the forces of production often appear. However, as in his investigations ofother problems, Marx did not start out with a definition, but rather arrived at an explanation of the most important content of the forces of production by means of deductions by using the principle of seeking truth from facts, made on the basis of specific analyses in various situations and all kinds of elements which directly influence or determine the forces of production of material wealth. For the time being, I will cite the following two statements as proof of this: "If we ignore the specific natural characteristics among men, as well as the differences in their production skills, then the productive forces of labor should be determined, most importantly, by: 1) The natural conditions

of labor, such as the fertility of the land, or the richness of a mine, and so on; and 2) The daily improvement of the productive forces. The following elements give rise to this improvement: Large-scale production; the concentration of capital; the alliance of labor; the allocation of work; machinery; the improvement of production methods; the application of chemical or other natural elements; savings in time and space gained through the profitable application of transportation and communications; and all kinds of other inventions. Science relies on these inventions to press the forces of nature into the service of labor and, moreover, the social character or the cooperative nature labor develops by utilizing these inventions. (The Complete Works of Marx and Engels, "Wages, Prices and Profits," vol 16, p 140) "The productive forces of labor are determined by many different sets of circumstances, including: The mean level of workers' of skills, the level of scientific development, and the level of its application in the various crafts; the social integration of the production process, and the scope and usefulness of the means of production, as well as the natural conditions." (Marx: "Capital," People's Publishing House, 1975 edition, p 53)

The above statement shows us that: 1) The productive forces are the composite forces used by men to control, apply and improve nature, and to produce material commodities and material wealth; 2) The elements which directly influence and determine the forces of production are many and varied; and 3) The present analysis includes the element of management. The phrase, "The daily improvement of the productive forces," contained in the earlier statement, contains the implication of management capabilities. The matter is quite clear: The productive forces do not here refer to the various elements like "large-scale production..." either individually or as a whole. Rather, in this case, the latter are merely the elements which "give rise to" the former, that is to the social forces of labor. In analyzing the general character of enterprise management, Marx raised the matter in exactly this way, maintaining that large-scale production, work allocation, cooperation and so on gave rise to and determined enterprise management. If this point is still in doubt, the phrase "the social integration of the production process," contained in the second passage, makes matters even clearer. According to our usual understanding of the term, "the social integration of the production process," that among the elements making up the forces of production it refers to organizational management. ("'The social integration of the production process' is interconnected with the outcome of the application of organizational management knowledge possessed by the metal workers in management." (Li Lianke [2621 6647 4430], "An Examination of the Internal Motive Forces of the Forces of Production," "Philosophical Research," No 3, 1980.) This is because, within the system of the productive forces, only organizational management possesses this ability to apply integration. (This point will be discussed below.)

Any categorization or theory must be developed on the basis of practice, and must be made the subject of continual inquiry and research. The categorization of the productive forces is not an exception to this rule. When the productive forces reach their present stage of development, many new characteristic features tend to appear, and one of these is their increasing

concentration and systemization. As for the human element, in the earliest period of human society, there originally appeared a species of collective force, but later, with the appearance of metal tools and the increase in labor efficiency this was gradually dispersed into scattered natural economic production forces. Thus, with the development of science and technology and the appearance of socialized large-scale production, the human element in the forces of production tended to concentrate and merge. It appears that things underwent a development process which was a negation of another negation. Nevertheless, the unity existing at present has fundamental differences from the primitive unity. [HK220822] In a modernized enterprise, man's understanding of the entire production process, his grasp of production experience at all the various linking junctures, his mastery of the whole range of production technology, and his individual invincibility and completeness, all contribute to the formation of a fairly formidable organization. From this arises organizational management problems. If organizational management is ignored, man as an individual is incapable of constituting the human element within the current productive forces. To return to the overall aspect of the forces of production, the modernized productive forces are a system, composed of a great many elements. However, they are not a mechanical collection of elements, rather they constitute an organic system. This system possesses the characteristic of forming those novel qualities of its constituent elements which, individually speaking they do not have, and this is manifested as a systematic projection. By means of modernized technological and mathematical methods, throughout the production process, from the individual level right up to that of teams and groups, it forms an integrated control system. This way of setting up the productive forces, with its style of integrated projects, causes quantitative leaps to occur in the productive forces. Moreover, these productive forces are interwoven with modernized enterprise management. Thus, if management is left aside, there is then basically no way in which the modernized forces of production can be comprehended. If our research into the forces of production were to remain at its original level, with management still placed outside its field of vision, then it might well become completely divorced from reality, would not be able to arrive at a correct theory of the productive forces, and would not be able to give free rein to a theory for its application as a guideline for practice. We only need to focus our attention on the systematic conception of the productive forces, and we will immediately find that enterprise management is without a doubt an important element in the productive forces of all enterprises.

2. Management Work Is Productive Work

Enterprise management is an important element in the productive forces of an enterprise, and this is closely related to the quality of labor. Because enterprise management "is a type of productive work, it is work which must be carried out in every integrated production plan." (Marx: "Capital," vol 3, p 431) If a comparison is made between the industrial capitalists of the early period of capitalist society, who carried out the task of enterprise management, and those who simply lived off their investments, striking differences emerge. Those who acted as capital personified exploited the labor of other people which is an important aspect; at the same time, their labor was also derived from social labor in its integrated form, and this had nothing

whatever to do with capital. Following the development of capitalist production, joint-stock enterprises became more and more numerous and, as a result, enterprise management was gradually completely cut off from the capitalists, and management was undertaken by managers and experts. Although these managers, objectively speaking, also put into effect the activities and functions of capital, nevertheless they differed from the capitalists in fundamental respects. They were workers in capitalist enterprises, and their wages and salaries were quite different from the earnings of the owners of the enterprises; they were thus of a similar nature to the wages of the other workmen. In socialist enterprises, there are also different circumstances. Here, the means of production no longer stand in opposition to the power of capital and to human labor, and are no longer a means of gratuitously possessing the labor of working men; this is because the means of production are no longer the property of the capitalists, but are rather the property of the whole people or of the collectives, held in trust for the workers of enterprises. Hence, the management and workers of socialist enterprises are all the owners of the enterprises, and there is no differentiation between noble and base, between high and low, only differences in the allocation of labor. One section is formed of workers, who carry out operational duties; another is made up of management personnel, who carry out management duties, and who are in fact workers who are directly concerned with production carried out by their enterprises. The contrast which existed between management work and operational work has now disappeared, as has the antagonism between management personnel and workers. Management personnel and workers carry out their work with a unified production process, creating wealth for the state and for society. This is particularly true in the case of modernized enterprises, where workers in jobs with a high level of automation have transformed their role from the original one of simple operations to one of observation, monitoring, adjustment, control and preservation, all on a highly scientific and technological basis, while also carrying out some management duties. In these cases, the divisions between management personnel and workers, and between management work and operational work have permeated each other, and have been linked together to form the productive work of enterprises.

The productive nature of enterprise management work is also determined by the special features of management work. This is because enterprise management is not only a branch of science, but also a branch of production technology. As has been mentioned above, this is especially true in modernized enterprises, which make wide use of advanced scientific and technological measures and mathematical methods, resulting in management leaping to new levels. Enterprise management is not only scientific, systematic and popularized work experience and work methods, it is not only a branch of science possessing a complete theoretical system, but it also needs to utilize a complete scope of special methods in order to reorganize the objective world of enterprises. It must resolve a series of complex practical problems in order to achieve the finest production results; hence it is to be considered even more as a branch of technology. Involvement in this kind of scientific work naturally counts as productive work.

[HK220824] If the process of integrated social production gave rise to enterprise management, the strong points and defects in enterprise management work determine the ups and downs of the production efficiency of labor and, because of this, enterprise management constitutes an important element of the forces of production. It has repeatedly been proven in practice that advanced enterprise management, along with other advanced elements of the productive forces, can greatly reduce the length of the production cycle, can raise output, increase the variety of products, improve quality, reduce consumption of raw materials and increase profits. It is not simply one of the elements of the productive forces, but is in fact the decisive element which spurs on the other elements of the forces of production.

3. The Integrating Effects of Management Within the Productive Forces

After discussing the productive forces element of enterprise management from the above two angles, it is still necessary to gain an understanding of its concrete applications within the forces of production.

The social integration of the production process is Marx' outstanding summary of the application, position and state of enterprise management in the productive forces. Enterprise management comes into being only when the production process possesses an integrated pattern, and constitutes "work which must be carried out in every form of integrated production." An integrated production form constitutes the conditions under which management comes into being, and is also the outcome of the integrated application of management.

According to the Marxist view of the various conditions as well as with the normal practice of the people engaged in modern enterprise management, in their analyses and surveys of the productive forces of enterprises, we will fix the elements of the productive forces as equipment, manpower, raw and processed materials, science and technology and management. The integrated applications of management are specifically manifested as:

The Integration of Individual Sets of Equipment Into an Organic System

Individual sets and a system are opposites. Modernized technical equipment is endowed with a very strong "cumulative" and systematic nature. But, in comparison with a large system, a small system is also an individual unit, and we are left with the problem of its gradual integration. In this case, the application of enterprise management is to integrate individual units into a system, and the smaller systems into a larger one, and direct them to carry out their activities and their development according to set objectives. In short, according to the level of advancement, needs and capabilities, it carries out the selection and forming into complete sets of technological equipment; it carries out comprehensive overall planning of industrial sites, and organizes in a rational way the technological processes applied to various crafts, as well as the arrangement of equipment, and it also tightens the links between installations; it rationally applies and stipulates the operational use of equipment and methods of preservation of that equipment, standardizing the procedures; and it decides on the updating and replacement of equipment. Thus it recycles itself.

The Formation of Isolated Individuals Into a Dynamic Group

As has been mentioned above, manpower in enterprises is a complex concept. The manpower in an enterprise of large-scale socialized production cannot be understood from the point of view of small-scale production. This also means that the element of manpower which moves towards making up the productive forces of an enterprise signifies a collective rather than individuals. In the form, activities and development of this collective, the applications of management are as follows: According to the objectives and requirements of production, it determines the composition of personnel in terms of type, (or specialty), quality, (or ability), and numbers; it determines the overall allocation of space or personnel, (their posting), their duties and their rights; it determines the cooperative relations between all sectors; it determines work norms for personnel by arousing the enthusiasm of the personnel; it sums up, accumulates and spreads out work experience and technical abilities; it determines in a planned way both intensively and extensively, the development of personnel, and so on. Thus, as far as the element of manpower in the forces of production is concerned, the integrated application of management does not only determine its quantity, but also decides, qualitatively, whether or not it constitutes an element of the productive forces.

The Integration of Scattered Raw and Processed Materials Into a Whole Which Corresponds to the Set Objectives

The raw and processed materials involved in enterprise production are many and varied. Take modern steel-making as an example. The raw and processed materials required for this undertaking amount to 14 major types, 719 varieties, and 21,298 specifications. Some items of production require even more numerous and complex materials. How to adopt the scheme which is best suited to production needs, to the natural resources, the requirements of the equipment, to the geographical environment and to market conditions, how to introduce raw and processed material into the production process in a planned way, while fusing together equipment and the work force into one body, this is another big problem in deciding the relative superiority or inferiority of the productive forces of enterprises. Well-organized management not only directly increases the level of the productive forces of enterprises, but also avoids wasting any of society's natural resources.

The Transformation of Science Into Practical Production Technology

[HK220826] "Science is also included within the productive forces." (Marx: "Outline for a Critique of Political Economics, (draft version)," Book Two, People's Publishing House, 1963 edition, p 350) Nevertheless, science is definitely not directly the equivalent to the forces of production. Science is the system of knowledge by means of which people understand, and promulgate, the laws of nature. A fairly large proportion of scientific knowledge needs to pass through certain intermediate stages, transforming itself into production skills and techniques which bring a counterreaction to bear on the natural world, before it can in reality, constitute a productive force. In enterprises, the role of the transforming medium is that of enterprise management. Through the application of management, and the intensification of scientific research,

the results of scientific study are exchanged, in the shortest possible time, for production skills and technology and, moreover, technical evaluations and efficiency studies are made, which in turn further determine the research program, and initiate a new cycle.

At present, people are able to understand that science and technology constitute a force of ever-increasing importance in the development of the production forces and in the raising of work efficiency in production. The proportion of work efficiency in production brought about by the use of advanced science and technology, has risen from 20 percent at the beginning of the 20th century to 60-80 percent at the end of the 1970's. Without the slightest doubt, this proportion will be raised still further in the future. This is due to the fact that, "under even the most ordinary circumstances, science still develops on the basis of geometric progression." ("Complete Works of Marx and Engels," "Outline for a Critique of Political Economics," vol 1, p 621) This tendency towards accelerated development in science should further bring about a trend towards the accelerated development of production. However, we must not overlook another instance of cause and effect: Many of the scientific and technological achievements of developed countries are attained through the strengthening of organizational management. Deciding on the strategic direction for scientific development, and promoting the mutual transformation of science and technology, by means of management and increased scientific research, is still a key problem in the development of the productive forces of enterprises.

The integrated application of enterprise management within the productive forces of enterprises appears not only inside each separate element, but is manifested also between all the various elements, synthesizing all these elements into a composite force, into an overall capacity which will work in concert for the realization of the goals of the enterprises. This composite force will be called upon to carry out the following functions: To make overall policy decisions as to the effective level of the productive forces in enterprises; to reveal contradictions among all the various elements and links, and to coordinate the relations of development of these elements and links; to direct the practical activities of the production forces, and to examine the practical results of these activities; to lay down the path for the further development of the productive forces, as well as the overall policy concerning the speed and the stages of the development, and so on.

Only when the above integration has been brought about through management can the workers in enterprises achieve, in a rational and orderly way, their material alternation with the natural world, bring the forces of production under their control, and prevent those forces from dominating them, in the form of a blind power.

Only when the above integration has been achieved through management can all the various elements of the productive forces become real elements and real productive forces. If this integration is not achieved, they can only be latent or semilatent elements, and latent or semilatent productive forces.

Numerous facts from real life prove the truth of this principle. For example, in 1964 a certain organization spent RMB 50 million to import from abroad a complete plant for the production of 318 millimeter seamless steel tubing, with an output capacity of manufacturing 150,000 tons yearly. However, up till last year, this plant was still lying idle in a warehouse. (See the PEOPLE'S DAILY of May 1979) Steel-rolling machines are, needless to say, an element of the forces of production, but, through the fault of management, this rolling-plant was permitted to remain in storage for 16 years. According to foreign friends, the production capacity of some of our enterprises could, with all-round quality management be raised by 50 percent, even without increasing their equipment or enlarging their staff. This means that, considering only this one aspect of all-round quality management, the actual production capacity of some enterprises stands at only two-thirds of potential production capacity, and thus that one-third, or even more, of their production capacity is lying idle. So, if the integrating force of enterprise management is ignored, enterprises will have no production capacity.

To sum up what has been said above, the integrating effect of enterprise management within the set-up of the forces of production has two general aspects: one is the molding of all the various elements of the productive forces into an organic "multilateral pooling of efforts," which will lay before us the finest levels and the best state of affairs; the other is the continual stirring up and exposure of contradictions in the internal links of the productive forces, the adjustment of the relations of development of these links, and the making of policy decisions on, and the control of, the direction, scope and speed of development. Only when this type of enterprise management exists can enterprises utilize their productive forces and conduct all their other activities.

4. The Unity of Opposites in Some Attributes of Management

As everybody knows, enterprise management is a pioneering science formed through the systematic integration of social science, natural science and engineering, and possesses special characteristics of many different functions, at many administrative levels, and of many qualities; it not only contains the attributes of a productive force, but also attributes of production relations and of the superstructure. Now how do these diverse qualities exist, and how do they achieve unity, within a mangement entity? To answer this question, we are obliged to make a study of the conditions under which these diverse attributes exist, only when this point has been researched can we arrive at an overall understanding of enterprise management and the productive forces of enterprises.

These diverse attributes achieve their existence and their expression through certain specific kinds of enterprise management work, and can be summarized as three different sets of circumstances:

The three kinds of attributes are manifested as three distinct and differing types of management work.

Within enterprise management, there are some types of work, mainly arising from the activities of the productive forces, which are manifested only as the relations of material alternation of man with nature which can be seen in the activities and the development process of the productive forces of enterprises, and which at different times possess the qualities of other aspects. These types of work include, for example, directly bringing all kinds of management measures of a technological nature to bear on the direct production process, the analysis and control of production capacities, the rational overall distribution of equipment, the formulation of policy decisions, plans, and organized directives of a technical nature within the process of transformation of achievements in scientific research into production technology, and so on and so forth. This specific type of work and assignments belongs only to the rational organization of the forces of production. Some kinds of work and assignments belongs only to the rational organization of the forces of production. Some kinds of work arise mainly from the relations of production, and manifest themselves purely as the relations between man and man, as the relationships of people towards the ownership, possession and use of the means of production, as the relations of economic advantage, but does not simultaneously possess the qualities of other aspects. These other aspects would be, for instance, such things as autonomous enterprise management, all kinds of economic methods and measures used in the process of production management, and the analysis of all sorts of economic activities. This specific type of work and assignments belongs only to a state of perfect production relations. Some kinds of work arise mainly from the demands of political economics, which are manifested only in their promotion of and their protective effect on the productive forces and the movements of the relations of production, and which do not simultaneously possess the qualities of other aspects. These would be, for example, such things as all kinds of political activities, all kinds of economic legislation, and the upholding of social order. This kind of work belongs to the adjustment and scope of the superstructure. Of course, when we say that these things are manifested only as certain relationships, and do not simultaneously possess the qualities of other fields, this is a relative and not an absolute statement, which can only be understood on the basis of the fixed nature of the quality. In cases where some kinds of work may still exhibit with slight traces of the relations of other aspects, the character of these kinds of work should be determined according to the dominant aspect.

Three Kinds of Attributes Are Jointly Manifested as a Type of Management Work

Some types of management work arise from, and are determined by, the combination of a multiplicity of elements and so their attributes are also multifarious; namely, they possess the attributes of a productive force as well as those of production relations and of the superstructure. Like the organization of labor, it arises from and is determined by a multiplicity of elements. These elements are: the level of development of science and technology; the degree of socialization of production; the type of products manufactured; the number and qualifications of the workers; the working environment; the methods and level of organized direction; the nature of the system of ownership of the means of production; the assignments and demands of the state in the field of political economics, and so on. These elements all have an influence on and

define, from different angles, the form and content of the organization of labor. In this way, the same labor organization simultaneously possesses a multifarious nature. One of its aspects is manifested as man's connections with the technical aspects of natural materials, and appears within the direct production process, among the workers, in their capacity as an element of the productive forces, between the workers and their technical equipment and the subject of work, and in the specific distributional relationships of time and space, and in the composite form of these relationships. This composite form is the outcome of the comprehensive application of all the various elements of the productive forces. From this point of view, it possesses the attributes of a productive force. However, in another aspect, it is manifested as the relations between man and man, and appears in the positioning of people and their mutual relationships, under a given system of ownership of the means of production. This set of circumstances is also the outcome of the comprehensive application of the relevant elements of the relations of production. From this point of view, it also possesses the attributes of a relation of production. Apart from this, the organization of labor is often manifested in man's political relationships, appearing as its unity with specific political organizations (such as its unity with organizations like the party, the Communist Youth League, the trade unions and the armed forces); these political relationships are the outcome of the comprehensive application of the relevant political elements. [HK220830] From this point of view, it also simultaneously possesses attributes of the superstructure. Thus the three kinds of attributes, of the productive forces, of production relations and of the superstructure, are dialectically united in one labor organization.

Two Kinds of Attributes Are Manifested as One Type of Management Style

Some work arises from, and is determined by, the movements of the productive forces and the relations of production, possessing at the same time, the respective attributes of the productive forces and the relations of production. For example, the activity of increasing production and practicing economy in the direct production process; one aspect of this is to economize on work time, reducing production costs as low as possible so that the relations of labor at the time of commodities exchange show a quantitative change, so that this activity contains attributes of the relations of production. "But this kind of economizing is equivalent to developing the forces of production." "Economizing on work time equals developing the productive forces." (Marx: "Outline for a Critique of Political Economics, (draft version)," Book Three p 364) Some types of work arise from and are determined by the movements of the relations of production and of the superstructure, possessing at the same time the respective attributes of production and the superstructure. An example of this work is that which deals with property. Because enterprises, and especially large-scale coordinated enterprises, constitute a pluralistic social organization, they form a small-scale society within themselves. Thus, the material activities of enterprises are not simply a matter of economic receipts and distribution, but include economic activities of a political nature.

The contradictions and the unity of the three kinds of attributes contained within the work of enterprise management coalesce to form a complete entity of enterprise management.

5. Two kevelations

First, that aspect of enterprise management which has the character of a productive force but does not possess a class nature and can be passed on and absorbed in a direct manner.

Marxism holds that, "Any productive force is a currently existing force, and is the product of past activities." ("Selected Works of Marx and Engels," "Letter to P.V. Annenkou" (28 December 1846) vol 4, p 321) It is reflected in natural relationships. That aspect of enterprise management which possesses the attributes of a productive force also constitutes a currently existing force in human society, and is the measure and the manifestation of mankind's conquest and control of nature; it is an objective entity of a production organization; it appears before us as the already perfected physical and mental conditions of production. It is the culmination, in historical terms, of the combined technical skills and experiences of previous generations of workers, and it is the starting point for the combined technical skills of the next generation of workers. During the upward progression of history, beginning with the writings of Bai-bie-ji [2157 0446 0679] which were the first works on management of industrial enterprises in the 1830's, through the scientific management proposed by Tai-luo [3141 5012]. At the beginning of the 20th century and modern management of the 1930's, right up to the management of the World War II period, and especially that of the post-war period, enterprise management has developed into a completely modern branch of science. It possesses its own distinctive ideological and theoretical system, substance and methods. Most of the relevant writings in this field have come from the pens of bourgeois scholars, and thus carry the clear imprint of the capitalist relations of production and superstructure. Nevertheless, as far as the substance of its having the attributes of a productive force is concerned, it represents the summarization of mankind's common work experience, and constitutes "a series of the most fruitful achievements in science." ("Selected Works of Lenin," "Present Tasks of the Soviet Regime," vol 3, p 511) Hence, our attitude towards capitalist enterprise-management should be: the entire substance of all capitalist private ownership systems, of all systems for the exploitation or oppression of the workers, and of all work patterns and life styles tainted with a rotten ideology, as well as all the production relations and relevant aspects of the attributes of the superstructure (apart from certain forms and scientific methods), must be criticized and resisted; however, the content of those aspects which possess the attributes of productive forces should, within this fixed scope, be adapted in China, and freely taken in and absorbed, as in the case of absorbing advanced science and technology, allowing it to fuse together with the socialist system of public ownership, and bring into being a new system of socialist enterprise management

Second, in developing the productive forces of Chinese enterprises, prominence should be given at present to the exploitation of enterprise management.

Within the system of the productive forces of an enterprise, all the various elements advance forward, conditioning each other, complementing each other, and transforming each other. But contradictions are generally unevenly distributed, in different stages and under different conditions, and the various

elements of the productive forces frequently alternate in playing a moderating role. It follows that, in researching the internal relations of development of the productive forces of enterprises, specific analyses should be made according to circumstances. Within a particular period it is possible to emphasize the development of this or that element, or to develop several elements at the same time. Now what is the key link in our present improvement of the productive forces of Chinese enterprises? It consists of the elements of science and technology and of management. But, seen from the relationship of the two elements, the rapid development of science and technology will only be possible under improved management.

[HK220832] Experience has shown us that the installation of advanced technical equipment where the management is backward is not to be contemplated; nor does the simple possession of modernized equipment insure the creation of modernized enterprises. If the management link is weak, even if technical equipment has reached a high level of advancement, then the system of productive forces will remain backwards. In the last few years, China has imported from other countries several complete advanced technological inst[illegible]tions, and set up some new type enterprises. In a partial sense, they have [illegible]lly achieved modernization. However, from the overall aspect of the product[illegible] forces of enterprises, this assessment is incorrect because their production levels are still much lower than in comparable foreign enterprises, and they utilize from two to three times as many workers and staff members as their foreign counterparts. The factors contributing to this situation are, of course, many and varied, but investigations have proved that the overriding reason lies in the fact that the level of organizational management is too low, and that technical equipment, labor and raw materials and so on, have not been integrated into an organic system. China's present level of enterprise management still lags 15 or 20 years behind her present technical equipment, and compared with the international level of advancement, the discrepancy is even larger. Thus, in some enterprises, if unrevealed contradictions within the system of productive forces cannot be predicted, then it will be impossible for some time to resolve those contradictions which have already been exposed. So, from this it may be seen that the task of exploiting enterprise management in the development of the productive forces of enterprises is becoming more and more important.

Because enterprise management still contains attributes of the relations of production, so in the exploitation of enterprise management, it has the effect of opening up many kinds of economic resources, and is a key factor in promoting the movement of the basic contradictions in enterprises.

The exploitation of the resources of enterprise management also has the advantage of reducing investment and producing quick results. Because the function carried out by enterprise management is that of the integration of the overall movements of the productive forces, it can organize, in a rational way, the material forces which are at present in existence.

When Lin Biao and the "gang of four" were on the rampage, nobody dared to undertake research into enterprise management, with the result that, for many years,

this important problem was only infrequently studied. At present in China, it is absolutely essential that our theoreticians once again probe into this area in order to develop a socialist theory of enterprise management, to build on the fundamental tenets of Marxism, and to give impetus to the realization of the four modernizations.

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ROLE OF PRODUCTIVE FORCES DECISIVE TO MODERNIZATION

Xi'an XIBEI DAXUE XUEBAO: SHEHUI KEXUE BAN [NORTHWEST UNIVERSITY JOURNAL (SOCIAL SCIENCE EDITION)] in Chinese No 1, Feb 80 pp 19-25

[Article by Liu Chengsi [0491 2110 1835]: "Recognize the Final Decisive Role of Productive Forces"]

[Text] "People are bound to develop, in the society where they live, definite and inevitable relations in production which are not subject to their own will."[1] In a letter to P. V. Annenkov dated 28 December 1846, Marx explained this point even more clearly. He said:

"Are people free to choose a particular form of society? Absolutely not. When the people's productive forces develop to a given extent, there are bound to be definite forms of exchange and consumption. A particular social system will emerge during the development of production, exchange, and consumption." The reason people are not free to choose a particular form of society is that, in the final analysis, people are not free to choose their own productive forces. That is the foundation of their history, because any productive force is a force already acquired--the product of past activities."[2] We must notice here "the product of past activities." This is why people may not abandon the level of development of productive forces already existing in history and establish particular production relations and a particular form of society as they wish.

Capitalist production relations were formed within feudalist society on a foundation where the natural economy had been dissolved by a commodity economy. The capitalists and their hired workers, both parties to this particular kind of production relations, were not responsible for the formation of this kind of production relations, which were not the result of the free choice of either the capitalists or the hired workers. "My personal view is that the development of social economic formations is a natural historical process. No matter how subjectively aloof an individual stands above these relations, he is socially the product of such relations." So, Marx said: "I am of the opinion more than anyone that no individual should be held responsible for these relations."[3]

Marx's opinions are quoted here to underscore the fact that in the history of human society, productive forces always play the final decisive role. This does not imply that production relations, like the superstructure, are passive matters determined completely by productive forces and the economic foundation. Production relations and productive forces, like the superstructure and its economic foundation, always react in two different directions (either enhancement or obstruction).

Years of political education and theoretical propaganda have turned this basic Marxist principle into a matter of commonsense in our country. If that were the case, why do we still harp on the "same string?"

The People's Republic of China is already 30 years old. Apart from the 10 years of disaster brought about by Lin Biao and the "gang of four," we made mistakes and sustained setbacks in the years prior thereto. No doubt, compared with preliberation days, our achievements are undeniably impressive. However, the superiority of the socialist system (the superiority of the socialist system over the capitalist system in the history of human society) has not yet been brought into full play. This view is shared by a large number of people. Spurred by the spirit of the Third Plenum of the 11th Party Central Committee, many comrades have emancipated their minds and begun to look for the cause. I have done some thinking during the past year of study. Acting on the strength of "upholding truth and amending errors," I have put down my views in writing, and invite discussion and criticism.

I.

The first question we face is: What is socialism, anyway? Now the theoretical circles run into the same question in their discussion of the stages of social development after the proletariat came to power. Everybody agrees that public ownership of the means of production is the most basic characteristic of a socialist society.

However, public ownership of the means of production is not something that many may order at will. It is an objective requirement when the production process has become socialized to a given degree (including socialization of labor and the means of production). "Since the emergence of the capitalist system of production, complete possession of the means of production society has been an ideal cherished by both individuals and groups. It may become possible and historically inevitable when the material conditions of its realization are present."[4] The "material conditions" referred to by Engels are the modern productive forces which are conclusive to socialization of the production process. There is no objective need to organize a socialist society to practice public ownership of the means of production unless there are such socialized productive forces.

If this is so, then we have to answer another question. Neither the capitalism in China of 1949 nor that in Russia of 1917 was highly developed, and there were no such material conditions as highly socialized production. Could we say then that both China of 1949 and Russia of 1917 should not have had any kind of socialist revolution?

As a matter of fact, this question was answered long ago by Lenin in his criticism of the "heroes" of the Second Internationale, who claimed that "Russia's productive forces have not reached the level to realize socialism."[5] While admitting that Russian productive forces at the time were backward, and that it takes a higher level of productive forces to realize socialism, Lenin said that inasmuch as the proletariat is reinforced by the forces of the peasants, and the conditions and opportunities are ripe for wresting political power from the landlord capitalists, "why couldn't we secure the prerequisites for reaching such a level through revolution, and then launch a drive from the base founed on worker-peasant power and

the soviet system to catch up with the people of other countries?"[6] "You people say we need culture to build socialism. Excellent! But why couldn't we create in our country the prerequisites for attaining that kind of culture by overthrowing the landlords and the Russian capitalists first, and then advance toward socialism? Which book tells you that the general course of history would not and could not make room for these changes?"[7]

As attested by reality, Lenin was right. But the crucial issue is that, after seizing political power in a country as economically backward as ours, the proletariat must create the material foundation required to bring about a transition to socialism.

After the October Revolution, Lenin was obviously concerned about this problem. He reiterated that socialism could not be achieved without big industry. "The only material foundation of socialism is a big-machinery industry which can also transform agriculture."[8]

We know that after the October Revolution, due to unfavorable conditions both at home and abroad, Russia resorted to "military communism." Later, when Lenin discussed the "New Economic Policy," he reiterated once again: "It is a wrong idea to plunge into outright transition to communist production and distribution,"[9] because it is impossible for a country dominated by a petty agarian economy to go directly to socialism. In his writings and reports on the "New Economic Policy" after 1921, Lenin emphatically pointed out the need to utilize capitalism. He siad: "Compared to socialism, capitalism is a menace. But capitalism is a blessing compared to the medieval system, the small-scale production, and the undisciplined petty producers associated with bureaucratism. Inasmuch as we are not yet ready to change from small-scale production to socialism, we just could not avoid capitalism, the natural outcome of small-scale production and exchange. Thus, we have to use capitalism (especially trying to lead it to state capitalism) within a given area as an intermediate link between small-scale production and socialism and as a measure, a vehicle, a method, and a road to raise the productive forces."[10]

If it were necessary to do this under conditions existing in Russia, it would be even more necessary to do it in China, a country more economically backward than Russia. (In 1949, the modern industrial output value of our country was only about 10 percent of the gross national output value, over 80 percent of which was dominated by individual and handicraft economy. According to statistical records, our country in 1949 had a total of 59,776,000 heads of cattle, horses, and donkeys. If all these had been used for farming, we would not have had enough to provide each of the 110 million farm households with a single farm animal.) In fact, our party pointed this out clearly on the eve of liberation: "...since the economy of China is still backward, there is need for a considerable length of time after the triumph of the revolution to use the activism of urban and rural private capitalists as much as possible to promote the development of the national economy. During this period, any sector of urban and rural capitalism which is beneficial to and does not harm the national economy should be allowed to exist and develop. This is not only unavoidable but also economically necessary."[11] Comrade Mao Zedong explained even more clearly as early as 1945: "There are people who do not understand why communists are not afraid of capitalism and want to promote its development. Our answer is very simple. To substitute

certain capitalist developments for foreign imperialist oppression and Chinese feudalism is not only progress but also an unavoidable process. This is beneficial to the capitalist class and even more beneficial to the proletariat."[12]

Mao Zedong Though is in complete agreement with the thinking of Lenin, and that is exactly what we did after the founding of the People's Republic. In 1953 the party proposed "The General Line and Tasks for the Period of Transition," and laid down in no uncertain terms that it would take three five-year plans spread over a period of 15 years to achieve basic socialist industrialization and socialist transformation of agriculture, handicraft industry, and capitalist commerce. The transformation was actually completed in the first four years of the First Five-Year Plan Period--in reality within a period of 1.5 years, 1955 and the first half of 1956. Looking back, it seems that such speedy progress and such a pace of development do not quite agree with the objective law that production relations should keep pace with productive forces. A simple fact will probably help explain this point. That is to say, by 1956 (the time socialist transformation was practically complete) our socialist industrialization had just begun, and a number of big industrial projects over and above the quota of 156 had to wait until the inception of the Second Five-Year Plan. Moreover, our agricultural mechanization just could not be realized for quite some time to come.

The situation resulting from completing the socialist transformation 10 years ahead of schedule, in violation of objective law, is borne out by the resolutions adopted by the Eighth Party Congress on the political resport. It was pointed out in the "resolutions" that the principal contradiction in our society at that time was "the contradiction between an advanced socialist system and a backward productive force." When the theoretical circles studied the "resolutions" of the Eighth Party Congress, they also advanced the view that "production relations are too far ahead of the productive forces." If efforts were made to ascertain objective facts, as directed by the "resolutions" of the Eighth Party Congress, and the priority of our party work were to be redirected in 1956 to socialist modernization, it would be entirely possible not only to correct the violations of objective law in the preceding period but also to arrest certain harmful developments still in progress then.

It is regrettable that since the expansion of the antirightist drive in 1957, the priority of the party has switched more to class struggle within the superstructure and to the realm of ideology, rather than to socialist modernization. At the same time, communes were organized in all villages in the country between 1958 and 1959, with emphasis on raising production relations in agriculture. The socialist transformation of agriculture, based on the objective law which the party had inaugurated, was now pushed aside. Thus, farm households leaped to become "big and collectivized" communes "in a single bound." While we accuse Lin Biao and the "gang of four" of "craving transition" in the 1970's, we must realize that the drive to organize people's communes in the late 1950's was also a kind of "craving for transition." Fortunately, the error was promptly corrected by the Party Central Committee, which defined ownership by the commune as a three-tiered ownership resting mainly on production brigades, so as to make agricultural production relations keep pace with productive forces.

As for Lin Biao and the "gang of four," the fact they raised the productions [targets] at will, without regard for the level of productive forces, and overlooked

the decisive role of productive forces was more than a "leftist" error contrary to objective possibilities; it was counterrevolutionary. But the "leftist" tendency in our economic work during the preceding period left them with loopholes which they exploited to such an extent that they even branded the development of production as "an obsession with productive forces; they labeled distribution according to work and the production of commodities as the hotbed of capitalism; and they crushed peasants' private plots, household sideline production, and country fairs, treating them as the "tails of capitalism." Their abuse of socialism and defamation of scientific socialism left the masses, especially youths, in utter ideological confusion. It is therefore the "sacred mission" of the theoretical circles to rehabilitate the reputation of Marxism and the socialist system.

II.

In short, the superiority of our socialist system has not come into full play in the past 30 years. Leaving aside the disruptions of Lin Biao and the "gang of four," a principal cause of this is that at times we have not realized in our work the decisive role of the productive forces, and we have violated the objective law that production relations should be compatible with productive forces.

In the past, we often focused our attention on possible stoppage and disruption of socialist productive forces when production relations trailed behind productive forces, but we failed to see that artificial promotion of production relations without regard to the existing level of social productive forces might obstruct and disrupt the development of productive forces. There are, however, objective factors which are responsible for this. Since a socialist economy is not likely to emerge within the old society, the proletariat must use political power to install it. This is why the personnel in power could easily overlook the objective law and make mistakes attributable to subjective personal will. Stalin found it necessary to devote the first part of his writing: "The Question of Socialist Economy in the Soviet Union" to this particular problem.

Furthermore, we must admit we have not done well in understanding the basic principles of Marxism. For instance, the following quotation from Marx's works is indeed worth careful study and deliberation:

"No social formation will perish before its capacity productive forces are brought into full play. Any new or higher production relations will not emerge until the material base on which they exist matures in the old society. Consequently, man may embark only on those tasks which he is able to handle, because he will discover upon careful examination that such tasks will not arise unless the material conditions required to tacke them are in existence, or at least are being formed."[13] Here Marx explained very clearly the decisive role of productive forces in the development of human society. Keeping Marx's view in mind, let us assume that if we had proceeded according to the plan originally laid down by the Party Central Committee to achieve "industrialization and socialist transformation" in 15 years, beginning in 1953, and had acted as cautiously as Comrade Mao Zedong had described: "Take one small stpe every year and a big step every five years," the following would have happened:

First, by the end of the First Five-Year Plan (1957), about half of the peasant households would have formed production cooperatives, and all capitalist commerce would have been led, according to the conditions of each, to the orbit of state capitalism (purchase by the state, order placed by the state for manufactured goods, state monopoly of purchase and marketing, marketing on commission or by agent joint state-private operation), with emphasis on intermediate supply of manufactured goods and state monopoly of purchase and marketing.

Second, the Second Five-Year Plan (1958-1962), all villages would have completed cooperativization based on earlier production cooperatives. The transformation of capitalist commerce would have switched from the intermediate supply of manufactured goods and state monopoly of purchase and marketing to joint state-private ownership.

Third, after the Third Five-Year Plan, high-level agricultural production cooperatives would have developed in the villages until they had played a role leading to the basic completion of the cooperativization of agriculture. At the same time, the socialist transformation of capitalist commerce would have been basically achieved, moving step by step from state-private ownership to state-operated enterprises.

Our assumptions are not at all groundless. According to the projection of the Party Central Committee, socialist industrialization was scheduled only to lay the initial foundation by the end of the First Five-Year Plan. Similarly, the socialist transformation of agriculture, handicraft industry, and capitalist commerce was also expected only to lay a foundation. Take capitalist commerce, for instance. At that time it accounted for 39 percent of the gross national industrial output value, mainly the manufacture of consumer goods, but it accounted for 57.8 percent of the retail business of the whole country (based on statistical figures for 1952). At a time when the state was engaged in such capital construction as big industrial projects designed to advance heavy industry, capitalist commerce played an active role in producing more consumer goods to satisfy the people's need for daily necessities, bringing prosperity to the market through increased interchange of commodities between urban and rural areas, accumulating funds for the state's industrialization programs (beginning in 1953, the profit of privately owned enterprises was distributed "four ways," with 34.5 percent of the total profit surrendered to the state as income tax), and providing employment. This active role would be jeopardized if the transformation were too swift. According to the "First Five-Year Plan of the People's Republic of China for development the national economy," less than 50 percent of privately owned industry, based on output value, was to be converted to state-private ownership in five years.

Let us take a look at agricultural cooperativization. According to a "resolution concerning the development of agricultural cooperatives" voted by the Chinese Communist Party Central Committee on 16 December 1953, "during the First Five-Year Plan, by 1957, there should have been about 800,000 agricultural cooperatives, participated in, hopefully, by about 20 percent of all farm households. Even the "First Five-Year Plan of the People's Republic of China for developing national economy" did not ask for any more than one-third of the farm households to join the early form of production cooperatives by 1957. This matched very well

with the pilot program "to introduce limited local experiment of agricultural mechanization in five years."

Looking back, the decisions and resolutions of the Party Central Committee at that time were basically correct. This is especially true with the schedules and measures of agricultural cooperativization and socialist transformation of capitalist commerce, including measures such as "taking a small step every year and a big stpe every five years," taking three big and 15 small steps to achieve the "three transformations," and making the "three transformations" and "one industrialization" work closely. By the time we had finished constructing a complete industrial system (1967), capitalist commerce would have become socialist state-operated enterprises, and individual peasant ownership would have switched, or basically switched, to socialist collective ownership. If we had proceeded at such a pace, I am sure the "one industrialization" and "three transformations" would have been well adjusted, the gap between agricultural cooperativization and mechanization would not have been so great, and the enthusiasm of the peasnats would have been activated by increased agricultural production and improvement of their livelihood. Had we taken 15 years as scheduled to transform capitalist commerce, its enthusiasm would have been brought into full play. Moreover, those measures worked out by the state for transforming capitalist commerce, such as "economic reorganization" and "personnel placement," would have kept our national economy in order and encouraged us to acquire useful business and management experience from the national capitalists, who would have helped train management specialists for the state (judged in the light of historical continuity, this ought to be one of the material benefits that capitalists could provide for socialism).

If these assumptions were valid, our national economy would have been as follows by the completion of the Third Five Year Plan in 1967:

1. The social productive forces would have developed so much that we would have been able to complete an industrial system based on modern technology and achieve substantial if not complete agricultural mechanization. It is very possible that we would have turned an agricultural country into an industrial one.

2. Public ownership (two different forms: ownership by the whole people and collective ownership) would have won a controlling position in the entire national economy. At the same time, some form of private ownership by individual workers (such as street hawkers, small handicraftsmen, husband-wife storekeepers) would have been preserved as the supplements or subsidiaries of the socialist economy in order to satisfy the need of the masses for daily necessities.

3. As production increased in volume, the wage of the staff and workers as well as the income of the peasants would have increased considerably. As a result, the people's livelihood, both material and cultural, would also have improved. (According to Premier Zhou's report on recommendations for the Second Five-Year Plan, the wages of staff and workers and the income of the peasants in 1962 should have been from 25 to 30 percent higher than those in 1957. The projected wages of staff and workers and peasant income for 1967 would be from 60 to 100 percent higher than those in 1957. This is entirely possible.)

4. As constructions continued to develop, if planned parenthood ahd been earnestly practiced since 1957, we might not have had to face the employment pressure which has become increasingly serious since the 1970's.

Why do we say that the task of achieving "one industrialization and three transformations" during the three five-year plan periods, as charted by our party in 1953, agrees with the objective law that production relations ought to match the nature of productive forces? What has been stated above may be summed up in two points: First, since our economy used to be very backward, slow, steady and varied measures of change are more suitable or closer to objective reality. Second, the national economy and the people's livelihood actually scored steady improvement during the progress of the First Five-Year Plan, 1953-1956. Today many old staff and workers still enjoy the real wage increases they got in those years, and the market was so prosperous then that people still miss the "golden age" of the "First Five-Year Plan."

III.

In spite of our subjective wishes, no matter how beautiful, the law of economic development is objective and inviolable. Take the year 1958, for instance. At that time those who wanted to crash into communism stirred up a "tempest of communism." They wanted to substitute a ration system in the villages for distribution according to work. They asked to uproot the bourgeois concept of lawful rights and to do away with commodity production. They even attempted to turn legends into reality and screamed about "subduing mountains and taming rivers," "making the earth produce as much as man wants," and harvesting 10C,000 jin of grain from every mu of land. The outcome, of course, was hardship and suffering. The objective law finally forced the people to climb down from the heights they had reached.

The recklessness of Lin Biao and the "gang of four" in the late 1960's and early 1970's which drove our national economy to the brink of collapse is an entirely different problem, and is more than a simple matter of subjective violation of objective law.

Since the smashing of Lin Biao and the "gang of four," the Party Central Committee has restored the original face of Marxism and Mao Zedong Thought, arrested the deterioration of the national economy, and brought life back to normal swiftly and steadily. It upholds and revives what has proven correct in practice. It rejects and corrects what has proven wrong in practice. In a word, it has done a great deal to bring order out of chaos.

The Third Plenum of the 11th Party Central Committee decided to switch the priority of party work in 1979 to socialist construction geared to the four modernizations. This was followed by the eight-character policy of "readjusting, restructuring, consolidating, and improving" the national economy. The readjustment is scheduled to last three years, during which carious measures will be adopted to reform systematically the existing system of economic management. These decisions of our Party Central Committee are called for in order to meet the existing conditions in our country. Theoretically speaking, these decisions are correct.

Realization of the four modernizations rests on extensive development of our social productive forces to provide the socialist system with a material technological base, without which the socialist system will not take root. Readjustment of the national economy is a necessary step leading toward the four modernizations. Reform of the system of economic management really aims at making the superstructure responsive to the need to make production relations keep pace with the development of the productive forces--a prerequisite to intensified drives to achieve the four modernizations.

Due to the low level of social productive forces and economic strength, our country still faces tremendous difficulties and many knotty problems. Limited in financial and material resources, our Party Central Committee and state leadership often find themselves inadequate to meet the challenges and unable to solve within a short time all the pressing problems. The only way out of this dilemma is to raise the level of our productive forces as soon as possible so as to accelerate production. Consequently, achievement of the "four modernizations" is our most basic and urgent task, and the biggest political issue for the whole country.

Socialist Chinea is already 30 years old. "At 30, one must stand on his own feet." Tempered by both positive and negative experiences, our country will be able to stand on its own feet among the nations of the world. But we must learn from our past failures. In his National Day address in 1979, Comrade Ye Jianying summed up four lessons to learn and called the following the very first lesson. He said: "After theproletariat has come to power, and especially after the establishment of the socialist system, the priority of our work must be unflinchingly placed on economic construction, vigorously developing social productive forces, and gradually improving the people's livelihood. We must never abandon this order of priority, no matter what the obstructions are, unless we face massive foreign invastion."[14]

This lesson could not be summed up more appropriately. If we examine closely our experience of the past 30 years, we will see that the main cause of our failure to give full play to the socialist system's superiority and of the poverty which besets our country and our people is that in the past 30 years we actually abandoned this order of priority whenever we ran into obstructions. Isn't this true? Just imagine. If we had stood firm for this "work priority," would anyone question our ability to catch up with or get close to the generally developed countries (such as Britain and France), if not the most advanced ones? Had we done that, the face of our country would have changed completely.

Now we are on the right track. The lines, programs, and policies worked out by the Party Central Committee are correct. In his "address" on behalf of the Party Central Committee, Comrade Ye Jianying accurately summed up the lessons to be drawn from the experience of the past 30 years. The future looks really bright and encouraging, but there are still many problems, enormous difficulties, and objective obstacles ahead. Leading comrades of the party and government at all levels must resolutely carry out the programs and policies of the Party Central Committee. (Juding from experience, this is not easy. If they are not committed to serving the people and lack communist stamina, they will block instead of implement the party's policy. The masses now are indignant with those who block

the implementation of the party's policy.) As for the cadres and the masses in general, they should understand and make allowances for the difficulties besetting the country, help the party overcome such difficulties, and work hard to contribute to the realization of the four modernizations. Groaning and grumbling in the face of difficulties are simply futile.

We are at a critical turning point in history. Achieving the four modernizations means providing our socialist system with a firm material technological base--a weighty matter concerning the future of our country and our people. It is unrealistic to talk about making the country wealthy and strong and about improving the livelihood of the people unless we realize the four modernizations. Have no doubt about the final decisive role of the productive forces--a scientific truth of Marxism which we have to remember.

FOOTNOTES

1. "Selected Works of Marx and Engels," Vol 2, p 82.
2. Ibid, Vol 4, pp 320-321.
3. Marx, "Das Kapital," Introduction to Vol 1, 1st edition.
4. Engels, "Anti-Duhring," People's Press, 1970 edition, p 278.
5. "Complete Works of Lenin," Chinese Edition, Vol 33, p 433.
6. Ibid, pp 433-434.
7. Ibid, p 435.
8. Ibid, Vol 32, p 446.
9. Ibid, Vol 33, p 43.
10. Ibid, Vol 32, p 432.
11. "Selected Works of Mao Zedong," Vol 4, p 1369.
12. Ibid, Vol 3, p 1009.
13. "Selected Works of Marx and Engels," Vol 1, p 83.
14. Ye Jianying: "An Address at the Mass Meeting Commemorating the 30th Anniversary of the People's Republic of China," People's Press, 1979 edition, p 22.

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'SOCIALIST CONSUMPTION ECONOMICS' CALLED FIELD FOR STUDY

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[Article by He Liancheng [0149 3350 2052]: "On Socialist Consumption Economics"]

[Text] Consumption in a socialist society is an important problem of political economies in socialism. A correct understanding of and solution to the problem bears special importance for arousing the socialist enthusiasm of the masses, bringing into full play the superiority of socialism, speeding up socialist productive forces. Thus it is extremely necessary to intensify the study of socialist consumption and to establish socialist consumption economics. This article deals exclusively with my personal views on the meaning, objectives and methods of studying socialist consumption economics, in the hope of inviting further discussion in our economics circles.

The Meaning of the Study of Socialist Consumption Economics

Marxist political economy tells us that production, distribution, exchange, and consumption are the four links of socialist reproduction, the totality of reproduction, of which production is the foundation and the decisive link. "Specific production determines specific consumption, distribtuion, and exchange as well as the mutual relations of these factors." (Marx: "Introduction" to "Critique of Political Economy," a monograph, p 22). At the same time, consumption, distribution, and exchange also act on production, which "is determined, in form at least, by these factors" (ibid). This is the dialectical relationship of production, distribution, exchange, and consumption.

In the relationship between production and consumption, the former is the foundation and controls the latter. It produces the object, form, and motivating force of consumption and determines the nature and level of the latter. Consumption reacts to production and affects its development, because what man produces is finally consumed. In the final analysis, production is for consumption, without which production for production's sake is meaningless and cannot exist. As Marx said: "Where there is no production, there is no consumption. But without consumption there cannot be any production, because in that case production becomes purposeless" (ibid, p 14). To be specific, the reactions of consumption to production may be illustrated as follows:

First, a product proves itself a product through consumption. Marx illustrated the point by saying that a dress becomes a dress when it is worn, while a house without people living in it is not really a house (ibid). Only through consumption can a product establish its identity.

Second, consumption creates a demand for new products. It generates an inate conceptual motive for production and projects the object to be produced. For instance, an increase in the consumption of a given product enhances the production of that particular product. Thus, consumption is the motivating force for and purpose of production.

Third, consumption has a direct effect on the development of production. That is to say, if consumption and production are well coordinated, consumption enhances production. However, if they are dislocated, production will decline and sag as in the economic crises under the capitalist system.

In a word, production and consumption are mutually related and interdependent--the unity of antithesis. Production is the foundation and the premise of consumption, which is the condition and the final objective of production.

The above is an explanation of the general relationship between production and consumption as they exist in any society. However, as production and consumption cannot exist independent of a social system, the nature of their contradictions and the law of their interactions differ under different social systems, and so does the nature of consumption. In a society controlled by the exploiting class, the contradictions between production and consumption are antagpmostic, involving class antagonism and conflict. These contradictions can never be resolved under the old system; the only solution is to overthrow the old system through a social revolution. With the means of production controlled by the exploiting class, the workers, kept from the means of prcduction, are compelled to work like beats of burden for the owners of the means of production, on whom they depend for their jobs and their means of subsistence. The purpose of production under such a social system is for the interests of the exploiting class and not for the needs of the people. Consequently, consumption by the exploiting class and the working people differs in nature and substance.

For instance, since production under the capitalist system rests on the capitalist system of private ownership of the means of production, its purpose is unquestionably for profit. The capitalists make allowances for consumption by the working people only to the extent of the profit it earns for them. Other than this, consumption means nothing to capitalism. The needs of individual workers are simply not within the purview of the capitalists. Thus, under the capitalist system, "individual consumption by the working class means the recycling of purchased means of production in the form of labor force which the capitalists exploit continually. This kind of consumption, a form of means of production required by the capitalists, is in reality the production and reproduction of workers." ("Complete Works of Marx and Engels," Vol 23, p 628). On the other hand, the extravagance of the capitalists "has developed to such an extent that it is accepted to exhibit one's wealth by spending in order to acquire credit--a real necessity to the 'unfortunate' capitalists. Extravagance has become a public relations expense account of the capitalists" (ibid, p 651).

The situation under the socialist system is completely different from that under the capitalist system. Public ownership of the means of production makes the working people the masters of the means of production, to which they are tied in inseparable unity. Consequently, the purpose of production is to satisfy the needs of the working people and raise their level of consumption. Engels pointed out that after the capitalist system of exploitation is eliminated, "social production insures not only that all members of society will enjoy ever-improving and plentiful material livelihood, but that they will also enjoy unrestricted development and use of their physical and intellectual faculties." ("Anti-Duhring," a monograph, p 229). Under socialism, the development of production and the higher level of consumption by the people work in complete accord. The more production develops, the more plentiful the products that are needed to meet the consumption requirement of the people. Improvement of the livelihood of the people, in turn, will arouse their socialist enthusiasm to push for further development of production. This is a mark of excellence of the socialist system as compared to the capitalist system.

In summary, consumption in a socialist society differs diametrically from that in a society controlled by the exploiting class who, basically unconcerned about consumption by the masses of working people, regard it as something like animal fodder or machine oil, which they use to feed those who provide the labor force and create surplus value. Thus, the capitalist class and its spokesmen are not interested in looking for ways to raise the standard of living of the working people. Under the socialist system, where there is public ownership of the means of production, the purpose of production is to satisfy the people's needs and to provide opportunities for them to develop their capabilities. Consequently, the problem of consumption by the working people is so important that it calls for careful study, and it is up to our economists to establish socialist consumption economics.

The Objects of Socialist Consumption Economics

What are the objects in the study of socialist consumption economics? This is a new problem which must be solved ahead of everything else. Personally, I believe the study ought to cover the following three areas:

First, the object of political economy is the study of production relations and the law of their development. Since consumption is one of the four phases of production relations, the primary object of socialist consumption economics should be a study of the consumption relations and the law of their development.

What are consumption relations? They are the relations formed by people in the process of consumption. These relations are closely tied to the forms of consumption determined by the form of production.

In a society where production is founded on private ownership of the means of production, individual families or households are the units of consumption. For instance, under the capitalist system, capitalist families are founded on capital-- on a system for individuals to make money. So the capitalists use part of the surplus value earned by exploitation for their families to enjoy extravagant consumption. The proletarians who earn poor wages and buy the cheapest means of

subsistence in order to keep themselves and their dependents alive have to rely on the individual families as consumption units. Due to increasing socialization of production under the capitalist system, even the capitalists find it necessary to run public messhalls, day care centers, and kindergartens in order to exploit the workers more effectively. These are required by the capitalists to intensify their exploitation of their workers and by socialized large-scale production.

Under the socialist system, where there is socialist public ownership and the people are engaged in collective production, socialization of production will expand. This kind of change in the form of production calls for comparable change in the form of consumption, especially the socialization of housekeeping. Consequently, public messhalls, day care centers, kindergartens, new residential centers, etc., under the socialist system are meant to solve the problem of the livelihood consumption needs of the staff and workers as well as of city and town residents. They meet the requirements of socialist public ownership and socialized products, on the one hand, and provide conditions conducive to firm development of socialist public ownership and advancement of socialized production on the other. Although the distribution of consumer goods for personal consumption is based on "from each according to his ability and to each according to his work," and the family is no longer a unit of production, it is still a consumption unit. Consequently, the form of consumption based on the family must be kept even though collective consumption should expand step by step to keep pace with the changes in the form of production in order to speed up the development of productive forces.

Second, socialist consumption economics should study the objects, structure and trends of people's consumption. This is an important problem which we have to study the ways to make improvements.

The objects of personal consumption are numerous, but the principal items are food, clothing, housing, transportation, general purpose goods, cultural needs and services. We must study how to provide plentiful, suitable, sanitary food for human consumption, including staple and nonstaple items. The study should cover also the composition of food and be sure that it contains physiologically required calories and nutrients. As for clothing, we must study how to provide people with enough comfortable and elegant clothing, including styles for different sexes, different age groups, different localities and seasons, personal tastes, and differences in physique and ethnic custom. There should be plenty of clothing in different colors, qualities, and styles for women and children to satisfy their specific needs. As for housing, the study should look into the housing shortage for the working people caused by the old society. The study should cover such problems as the planning, structure, management, and rational distribution of urban housing, the transformation of old villages, and the construction of new residential centers. It is especially important to study urban environmental protection and afforestation to make cities garden-like. More parks and scenic spots are needed for people to rest comfortably after work. A study on transportation should deal with the method of running public transportation effectively and modernizing it, as well as with the problem of privately owned means of transportation. The demand for general purpose goods, cultural needs and services, though numerous, must be met and taken care of so as to satisfy the people's ever-increasing material and cultural needs.

Third, socialist consumption economics should study the relations between consumption on the one hand and production, distribution, and exchange on the other, and the law of their operations.

Marx pointed out: Production, distribution, exchange, and consumption are the four phases which "form the links of a total entity, a unified whole with internal differences." (Introduction to "Critique of Political Economy," a monograph, p 22). "Production marks the beginning, while consumption is the end-result. Distribution and exchange are the intermediary links between the two." (ibid, p 12). Consumption therefore is closely related to production, distribution, and exchange. There is no need to dwell on the relations between production and consumption, which we have discussed above. As for the relations between consumption, distribution, and exchange, Marx said: "Distribution determines the producer's share in the world of products according to socialist laws, and therefore it lies between production and consumption." (ibid, p 17). "Exchange is an intermediary between production and distribution, and consumption is determined by production." (ibid, p 21). These general principles expounded by Marx of course are applicable to socialist societies. Under the socialist system, products have to pass through distribution and exchange before they are ready for consumption--which in turn influences distribution and exchange. Therefore it is necessary to conduct distribution and exchange well in order to satisfy people's consumption requirements, and the satisfaction of people's needs enhances the development of distribution and exchange. Thus, socialist consumption economics ought to study the dialectical relations between consumption, distribtuion, and exchange and the law of their operations.

In a word, the objectives of socialist consumption economics should cover consumption relations and the law of their development, the objects and structure of consumption, and the relations between consumption, production, distribution, and exchange and the law of their operations. It is clear that political economics, parts of economics, and certain areas of natural science are included. It is indeed a comprehensive science.

The Research Methods of Socialist Consumption Economics

There are fundamental differences and fierce struggles between the Marxist political economy and the political economy of the capitalists, the petty bourgeoisie, and the revisionists regarding the study of consumption.

Capitalist economists do study consumption, but they use capitalist methods to study it from a capitalist viewpoint and position, so as to defend and serve the capitalist system of exploitation. For instance, some capitalist economists place production, distribution, exchange, and consumption on an equal footing (this might be called the "four-quarters method") and repudiate the decisive role of production, which is a basic principle of Marxist historical materialism. Some capitalist economists concentrate on studying personal consumption (actually the wasteful extravagance of the capitalists) and advocate "welfare economics" in the guise of "social welfare." Approaching the matter from an idealist viewpoint, some capitalist economists regard the happiness of the capitalists as the happiness of the whole society, advocate capitalist utilitarianism as being above class differences, look at consumption as a subjective personal desire, and refute the decisive influence of production on consumption and the objective relations between production, distribution, exchange, and consumption. Other capitalist

economists want to raise the level of consumption to eliminate class struggles, claiming that "ideal consumption promotes worldwide cooperation" and that "high-level consumption reduces conflicts between individuals, wipes out class struggles, and helps mankind achieve a universal state of harmony." Keynes, a spokesman for the monopolist capitalists, advanced the so-called "law of psychological propensity for consumption" not only to blot out class differences in consumption, in his defense of the intrinsic failures and crises of capitalism, the parastic consumption by the monopolist capitalists and their state, and the arms race, but also to stimulate personal consumption to eliminate economic crises and save imperialism from its inevitable destruction. But the fallacies of these capitalist economists have not been able to withstand Marxist political economics on the one hand and the realities of capitalism on the other.

Petty bourgeois economists are especially interested in distribution and consumption. Opposed to the capitalist system of distribution and the wasteful extravagance of the capitalists, they advocate "equitable" distribution in order to satisfy "those needs which come with one's birth" (in the words of Sismondi). Although they have contributed heavily in exposing and attacking the capitalist system of exploitation, their own bourgeois position and viewpoint are not effective enough to hit home at the capitalists. Their proposals for resolving the contradictions in capitalism are mostly visionary or even reactionary. For instance, they believe the trouble with the capitalist system of distribution and consumption is overproduction rather than the capitalist system of private ownership. Consequently, they favor curtailment of production and "equitable" distribution (in reality equalitarian distribution) and restricted consumption. Their approach is based on an idealist and metaphysical concept opposed to historical materialism. If we acted on the strength of these views, we would turn the clock backward and return to a state of small-scale production. That is why we say these views are regressively reactionary.

Revisionist economics is a variety of capitalist economics. Defending and serving the capitalist system from the capitalist viewpoint, these [revisionists] have advanced a number of fallacies about consumption. The older school of revisionists believe that the only way for the proletariat to enhance their material well-being is "to cooperate" with the capitalists. They favor economic struggles by the proletariat but oppose political struggles, especially violent revolutions. Contemporary revisionists, however, advocate the theory of distribution determinism, and they use such slogans as "Everything for man and his happiness" to win popular support. Treating personal material interests as an important or even the only motivating force in developing production, they rate such interests above everything else. While advocating both personal and national self-interest, they pay only lipservice to proletarian politics, the Marxist principle of revolution, and proletarian internationalism, which they have abandoned in practice. Acting against these principles, they have turned the first socialist country into socialist imperialism.

The economics cooked up by the "gang of four" and their hack writers is simply a hodgepodge of feudalism, capitalism, and revisionism based mainly on the reactionary viewpoint of the petty bourgeoisie. "Holding high" the banner of 'revolution," they gave a "leftist" revision to Marxism-Leninism and Mao Zedong Thought. Not the least concerned about the hardships of the people, they repudiated

material benefits and opposed raising the people's level of consumption. Advocating a fallacious theory that "the poor are for revolution; the rich favor revisionism," they resorted to petty bourgeois equalitarianism to practice the "socialism" of poverty. They opposed better welfare for the people, which they branded as "welfarism." They also opposed the development of productivity, and called the four modernizations capitalistic. The disruption and destruction by the "gang of four" have driven our national economy to the brink of collapse, seriously jeopardized production, and lowered the people's standard of living. The "gang of four," a bunch of fake revolutionaries, are the deadly enemies of the people of the whole country. We must criticize the fallacies they have disseminated and weed out their pernicious influence.

Proletarian political economists should adhere to the proletarian stand and employ the viewpoints and methods of dialectical materialism and historical materialism to study the problem of consumption under the socialist system in the light of socialist reality. Instead of following after the capitalist economists, who give equal weight to production, distribution, they should accept the decisive role of production and proceed with the dialectical relations between consumption on the one hand and production, distribution, and exchange on the other, so as to tackle the problems of socialist consumption economics. They must not follow after the petty bourgeois economists, who emphasize equalitarianism and restricted consumption rather than develop production. Nor should they follow after the contemporary revisionists, who rate personal material interests above everything else, do not adhere to proletarian politics, and violate Marxist principles. They must be especially careful not to follow after the "gang of four," that most detestable bunch, who advocate the "socialism" of poverty and undermine the integrity of socialism. If people say that the methodology of the capitalist economists is useful in analyzing consumption, that the petty bourgeois economists may claim some credit for exposing the contradictions of capitalism, and that people may derive some temporary benefit from the emphasis placed by the contemporary revisionists on personal material interests, then we must say that the fallacies and methods of the "gang of four" are responsible for massive disruption of production, drastic reduction of consumption, and social regression. In a word, these are absolutely reactionary fallacies and counterrevolutionary methods, and they are diametrically opposed to the principles and methods of the proletarian political economy.

Furthermore, since socialist consumption economics is a comprehensive and complicated academic discipline, its methods include not only scientific abstractions but also methods used in certain areas of economics and those used to study natural sciences. There is no other way to build up and enrich socialist consumption economics. To this end, we must organize all related sectors to work together under the leadership of appropriate state organs to prepare writings based on research, investigations, and summarizations of experience in order to lay the foundation for the establishment of socialist consumption economics.

5360
CSO: 4006

ECONOMIC PLANNING

'GUANGMING RIBAO' ON EFFECTS TO MATCH WORKERS' SKILLS, JOBS

OW241238 Beijing XINHUA in English 1225 GMT 24 Sep 80

[Text] Beijing, 24 Sep (XINHUA)--New job opportunities are opening for qualified people as efforts are being made to match skills with work, according to today's GUANGMING DAILY. Work in new China has been assigned by the government and in some cases the best points of people are not used. It is not easy for a person to get transferred to a more suitable job. The governments of many provinces realize this and are beginning to take steps to change the situation.

Personnal departments of 14 provinces have investigated the foreign language potential. In some places, public notices were posted and examinations given. Up to now 6,533 people have been given work in various foreign languages. Of these, 2,574 were transferred from jobs that did not use their language skills, and 3,959 are newly employed. Many young people who went down to the countryside studied foreign languages on their own and have become quite proficient. They are being given work as interpreters and in foreign trade.

Another report says that LIAONING DAILY now carried columns to help those who want a job transfer. A feature article in the paper today tells how Sujiatun District of the northeast China city of Shenyang discovered people of ability to develop its economy. Sujiatun is a remote suburb of Shenyang city. The district's agriculture is fairly developed and modernization has left the district with a surplus labor supply of 15,000. The district wanted to set up industry but lacked technicians and engineers. In July, the district communist party committee set up a reception station for people with special skills. After interviews, it recruited 117 able people and the search is still continuing. The district pays the fares for everyone it invited to come to the center for an interview. With new technicians and engineers, a paper mill and a chemical works in the district were able to improve the quality of production. An engineer who is an expert in knitwear was transferred to this district and is now head of a newly set up small knitwear factory.

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FINANCE AND BANKING

ROLE OF TAX REVENUES FOR FOUR MODERNIZATIONS DISCUSSED

Beijing CAIZHENG [FINANCE] in Chinese No 4, Apr 80 pp 19-21

[Article by Zhang Hua [1728 5478]: "A Discussion on the Role of Tax Revenues in the New Period"]

[Text] This is the second year in which the party's work has focused on the construction of the four modernizations. The whole party and the whole people must work for this central task. The same is true for tax revenue. In order to develop a better role for tax revenues in this new period in history, the following problems must be resolved.

I. Tax Revenues Must Be Stable

During the 30 years since the founding of the state, understanding of tax revenue has been very inconsistent. Sometimes it is said to have a major role and sometimes not. As a result, the ups and downs of tax revenue work has also been great, which has had a certain effect on its role in socialist revolution and socialist construction.

During the war years and the early period of the founding of the state, tax revenues, which were used to assure war provisions and to restrict and transform capitalism, made a lasting contribution. This is known by all, and their role is definitely clear to everyone. However, after the basic completion of the transformation of the system of private capitalist ownership of the means of production, a divergence of views about tax revenue developed. This divergence reached a peak during the Great Cultural Revolution. After 1958, some people felt that since the structure of our national economy had undergone fundamental changes, with enterprises now belonged to the system of ownership by the whole people and the system of collective ownership, tax revenue had become quite unnecessary. They felt that taxes or profits from state-run enterprises all belonged to the state in any case, so that it was not necessary to differentiate them into two forms of payment. Even without tax payments, the money would not go abroad. It was as if tax revenue had completed its historic mission and had become redundant. At the same time, with the storm of a great financial reassignment, tax organs were removed and merged, and there was great reduction in the number of revenue staff members. Measures like the three self-handled taxes (self-declaration, self-payment, and self-examination) were carried out, weakening tax revenues and greatly affecting state revenue. Beginning in 1962 there was an awareness that this was unfavorable to the state, but just when the strengthening of tax revenue work became necessary, the Great Cultural Revolution started. Under the interference of the "gang of four's" ultraleftist line, the

clamor was for the abolition of tax revenue, which was regarded as the dictatorship of rules and regulations, and as economic shackles. The feeling was to have tax revenues abolished altogether. Thus once again the imperfect tax organs underwent removal and merger, and tax revenue work was freely simplified. No one questioned the state of tax policy and its execution, and tax revenue work became chaotic. Today, since the smashing of the "gang of four," the Party Central Committee, under the leadership of Chairman Hua has emphasized the development of the pivotal role of tax revenue to revive the prominence of its work. But present understanding of the role of tax revenue is still not unanimous. Some people are still apprehensive whether tax revenue can be stable for a relatively long time. It is very unfavorable to our tax revenue work if this problem of understanding is not resolved. It is necessary that we understand this important problem from theory to practice.

Marx and Engels said: "What follows the abolition of taxes and levies is the abolition of the state." I think these few words clearly explain the theoretical foundation of tax revenue and its necessary existence for a period of time in history. Tax revenue came about with the state and exists with the state. Therefore, as long as the state exists, we cannot be without the instrument of tax revenue. This is an objective economic law which does not change with the people's will. Tax revenue serves different classes in different social systems, and such has been the case since ancient times. The ancients said, "The imperial grain is the kingdom's revenue." No dynasty could do without it; slave society, feudal society, and capitalist society all have it, and even today's socialist society cannot do without it. In my opinion, it is indispensable until communism becomes a reality. Of course, tax revenue systems and what they serve have varied in different periods. In a society ruled by the oppressive classes, tax revenues serve the oppressive ruling classes. In a country ruled by the dictatorship of the proletariat, tax revenues serve the dictatorship of proletariat. Tax revenues in the old society took from the people for selfish ends. In the new society they are taken from the people and spent on the people. This is the essential difference in tax revenue under the two different social systems. Not distinguishing this point is to muddle our mentality.

Viewed once again from practice since the founding of the state, tax revenue plays a role regardless of whether a privately run economy or a socialist economy dominates. No doubt, different demands in tax policy are called for in dealing with different kinds of economy. Our tax policy always proceeds from the maintenance and development of public ownership. Under the socialist system, even if a socialist economy takes command, socialist commodity production and currency exchange still exist, the role of market regulation under state plans still exists, the law of value still exists, and state financial accumulation still exists. Tax revenue as the economic pivot of the state still needs to play its role, and all the moreso as it should keep pace with the demands of the national economy and realize the four modernizations. This means developing the regulatory role of tax revenue. We must earnestly study and fully develop its role in this respect. The view that tax revenues become optional after the transformation of the system of private ownership of the means of production has no theoretical basis and is not in accord with the actual conditions in our country.

II. Tax Revenues Must Advance

Whether tax revenues should advance or retreat has been a question of endless debate. In other words, it is a question of which form of revenue payment better suits the economic foundation and the demands of high-speed financial accumulation of the state. Some suggest that taxes should be unified, and as revenue payment from state-run enterprises has no real meaning [a system of] profit tax payment should be entirely adopted. Some also suggest that taxes should suit the needs of economic development, that whatever types of taxes need to be collected, should be collected, and that tax revenues should be applied to the accumulation of state-run enterprises. Thus the debate opens up. It concerns the future development of tax revenues and the place and role of tax revenues in national economic life. It also concerns the question of tax reform proceeding from our country's present economic conditions. One thing is certain: failure to resolve the question of whether tax revenues should advance or retreat will directly affect the question of how big a role tax revenues should play in order to suit the needs of the construction of the four modernizations.

I think we should examine, observe, analyze, and study this on the basis of practice. To debate without discussing practice is fruitless. We can use the three following questions to make some comparisons.

First, should there be more or fewer tax categories? This kind of suggestion is actually ambiguous. Tax categories cannot be subjectively assumed but depend on economic conditions. If the economic system is unitary, then we can only use a unitary tax category. If the economy is complex, then multiple categories of taxes should be used. This is the only appropriate way. The revenue system is a superstructure which must suit the economic foundation. Otherwise, unfavorable effects will be brought upon the economy. For example, in the early period of the founding of the state, five economic components existed in our country (a state-owned economy, a collective economy, a capitalist economy, a joint public and private economy, and an individual economy). With this complex economic situation, multiple categories of taxes and more frequent collection were adopted--14 tax categories, at one time. After the three great transformations, the economy moved toward a unitary system and essentially there were only two economic components, a socialist state-owned economy and a collective economy. To suit the situation, some tax categories were necessarily merged, though some were oversimplified. At present, there are only eight categories of taxes. In accelerating the development of the construction of the four modernizations, economic components have increased and the current categories of taxes are no longer suitable. The main economic components in our country at present are the state-owned economy and the collective economy, but a joint economy and an individual economy have also appeared. In particular, the development of foreign trade not only involves varied forms of economy, but it must use the principles of defending state sovereignty and reciprocity to safeguard our country's economic interests. Therefore, internal as well as external consideration must be given when designing a revenue system. Thus it is necessary to revive some tax categories and establish some new ones. Current categories of taxes must also be improved to suit a more developed economy. When the industrial and commercial tax was reformed in 1972 under the interference of the ultraleftist line of the "gang of four," it was thought that the fewer tax categories the better, so they were forcibly merged. Not only were the real property tax, the vehicle and shipping license tax, and the tax on slaughtering animals merged with the industrial and

commercial tax, but the salt tax was also forced into it. Called by the nice-sounding label that reduced tax categories benefit the development of production, this actually violated objective economic laws. For instance, the salt tax is a special category collected at a fixed rate, and it is entirely different from the industrial and commercial tax, which is paid according to the products and tax rate on the turnover. Although the State Council issued industrial and commercial tax regulations, these did not work in practice, and it could only continue to maintain the external collection of the salt tax. Also, when the industrial and commercial tax was changed to a service trade tax unrelated to products, it denied the industrial and commercial tax as a price component and it suffered various restrictions. Later there had to be a gradual return to the tax on products. Practice tells us that study and reform of the revenue system require us to proceed from the objective economic situation and the demands of national economic policy. Otherwise, we will not be following materialism.

Second, can the accumulation of state-run enterprises be paid to the state in the form of a profit tax? There are two views, one in agreement and the other in disagreement. The latter view reasons that it is not logical to turn the profits of state-run enterprises into a profit tax payment. I suggest the former view. To accelerate the realization of the construction of the four modernizations, the Third Plenary Session of the 11th Party Central Committee decided that, henceforth, enterprises' right of free choice must be expanded. In changing the present fiscal system, a state-run enterprise is an independent accounting unit which needs to have the right of free choice in expanding production. This is a question that requires our careful consideration as to how finance can suit this new situation. Viewed from the advantage of enterprises' free choice and planning, tax revenue is still more appropriate. Because tax revenues have rates and payment periods, enterprises can know beforehand how much profit they can generate in a year, how much should be paid to the state, and how much should be left for themselves. Enterprises can consider when they might need money, the amount needed, and what they have to spend. To facilitate enterprise's acting on their own, they actively and in a planned manner make appropriate arrangements for their own production development plan and welfare facilities. At the same time, tax revenues are determined by law and are concrete, which is a reliable safeguard for organizing state revenue. After the change to profits tax for state-run enterprises, revenue departments will become concerned with enterprises in their realization of their profits and will look into these enterprises to strengthen financial supervision, promote economic accounting, and urge them to conduct their work strictly according to the provisions of state revenue laws and the system of financial affairs. This kind of revenue system is therefore suitable for economic development and is theoretically sound.

Of course, changing the form of payment for state-run enterprises should undergo investigative study and experimentation, and it should be promoted only after experience is obtained. Having state-run enterprises pay profit taxes is an important reform and touches on many questions. We cannot look upon complex problems in an overly simplified fashion. Improper handling of a good system could generate unfavorable results.

Third, should we use a single form or a multiple form of payment to collect the accumulation of state-run enterprises? Which form of payment is more favorable to satisfying the needs of construction funds for the four modernizations? On this question, I strongly agree with Comrade Yu Guangyuan [0060 0342 6678] that we have

to adopt the method of a unified and not a dual system. The so-called unified system means a tax revenue form of payment, while the dual system means using both tax revenue and profit forms of payment. Comparing the two, I consider tax revenues an important economic measure which better suits the needs of the construction of the four modernizations. It urges enterprises to strengthen economic accounting, helps to guarantee state revenue, and strengthens financial supervision. We know that the financial demands of the four modernizations are for quantity and stability. Tax revenues possess these characteristics. Compared to the profits form of payment, they are timely, safe, and reliable, and can survive risks.

III. Tax Revenues Must Be Strengthened

Since tax revenues have become the chief source of the budget, it is necessary to strengthen their construction in terms of ideology, system, and organization--areas which at present are extremely unsuitable. The question of ideological construction has already been discussed. Here, we emphasize the construction of system and organization.

The present tax revenue system is fragmentary and lacking in legality. The current industrial and commercial tax and the industrial and commercial income tax are two main taxes, both trial regulations which have not gone through formal legislation. The old taxes, such as the industrial and commercial unification tax and the industrial and commercial income tax from the industrial commercial taxes, continue to be applied toward foreign countries; the individual income tax, which has already been an issue, and the fixed property tax determined by the State Council have not been enacted with specific regulations for their implementation. Besides, some ideas on taxation are still being investigated and studied. This does not suit the demands of the four modernizations. Regulation No 121 of the Legal Code specially deals with violations of the tax law. Here we have to resolve what kind of law is being violated. In order to have laws, we must strengthen investigative studies, speed up the legislative process, and guarantee state income by law against violations.

The tax organization is the functional organ that carries out the tax laws of the state. As the situation develops, the task of tax revenue will become arduous, and this work cannot be guaranteed without a special tax organization from central to local levels. The establishment of a revenue staff should also be unified by the central authorities according to work requirements. The tax revenue staff must be stable without being freely transferred, because it takes at least 5 years to train a relatively experienced revenue staff member. We also need to have special schools to train revenue staff, who must have titles. A system of revenue specialists and an assessment system must be established. And all this must relate to the economic benefit of individual staff members in order to make them red and expert, capable of contributing to the four modernizations.

9586
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ENERGY

SOURCES OF ENERGY FOR MODERNIZATION DISCUSSED

Beijing ZIRAN BIANZHENGFA TONGXUN [JOURNAL OF DIELECTICS OF NATURE] in Chinese No 2, Apr 80 pp 16-22

[Article by Xu Junzhang [5171 0193 4545], Zhang Zhengmin [1728 2973 2404], Yang Zhirong [2799 1807 2837] and Zhu Bin [2612 2430]: "On Energy Construction for China's Modernization"]

[Text] Correctly Estimating the Energy Situation

Human society is built on immense energy consumption. The more society develops and the higher the degree of modernization, the greater the amount of energy consumed. Inadequate energy supplies emerged early in human history, but the appearance of the "energy crisis" dates from the last 10 years and is one of the imbalances that appear when human society is at a high level of development. In the 1950's, as a result of the discovery of large oilfields in the Middle East, the energy resource requirements of social modernization, and the competition of the Western nations for cheap oil, oil gradually replaced coal as the main source of energy. By 1973 oil already accounted for half of worldwide energy consumption, reliance on oil by the developed nations of the world had already reached a startling level, and an economic system where oil was the prime source of motive power had already developed. Accordingly, the brief oil embargo during the Middle East war which broke out that fall made such countries as the United States, France, West Germany, Italy and Japan, which relied on Middle Eastern oil, suffer economic disruption and threw people into confusion. Japan's national economy not only was unable to maintain the previous year's 10 percent growth rate, but actually experienced a drop of 2 percent while the gross national product dropped by almost 50 billion US dollars. The United States lost more than 90 billion dollars, and the economy stagnated. When Jimmy Carter was running for president, he made the accusation that "the Ford administration's failure to pay adequate attention to the energy problem was its most important failure," which won him many votes. The economies of other nations also experienced negative growth. The warning bells of the energy crises were becoming deafening.

The energy crisis is not the result of exhaustion of energy resources. But the emergence of the energy crisis caused people to take stock of petroleum, natural gas, coal and other energy resources. It has now been confirmed that world recoverable petroleum resources will last only 34 years at the current production rate. It is predicted that oil production rates will peak at about 1990, after which they will decline. Total reserves of natural gas are very limited, and they are

expected to reach their peak 10 or 20 years after petroleum, then drop. Although coal reserves are plentiful, and can meet mankind's needs for 200-300 years, because of environmental protection limits, coal production will also peak during the next century. People disagree as to whether there will then be a temporary hiatus on the energy stage, or whether there will be some extraordinary occurrence. Some people estimate that the real energy crisis will come about 1990, when there is grave shortage of petroleum; this cirsis will be worldwide. Accordingly, a scientific estimate of petroleum situation and the elaboration of a far-sighted, practicable energy policy are becoming increasingly urgent.

What is this country's energy situation? Since the state was founded, our country's energy production has increased 25 times, a major achievement which has brought our country's energy consumption up to third place in the world. But as in many countries, our energy production still cannot satisfy the requirements of production and daily life. In particular, our country's population is immense, our energy utilization efficiency is low and there is serious waste which is continuing to put pressure on supply-demand relations. Several years ago, when our country's energy shortage was already apparent, the west's energy crisis was called an "evil of capitalism" by the "gang of four" and their like, who said that "socialist China has no energy crisis." A three-foot freeze takes more than one day's cold. Currently our country's energy shortage shows up in concentrated form in: insufficient motive power for industry, an inability to guarantee electricity for municipal domestic uses, and insufficient firefuel in the countryside. Because of insufficient motive power, about 30 percent of industrial productive capacity cannot be brought into play, which is already markety influenced the development of the national economy. The energy situation is an urgent one.

Two figures are used in discussing energy resources. The first is total energy, an absolute quantity; the second is the per capita average, a relative value. This country's hydroelectric resources are first in the world. Our coal resources are third in the world, behind only the Soviet Union and the United States. Our oil resources are seventh in the world. In addition, we have a wealth of natural gas, and so on. But in terms of the per capita average, we are relatively poor, poorer than the Soviet Union and the United States, and below the mean world per capita figure. But compared to Japan, France, Italy, India and other countries, we are much better off, and we can still be called an "energy-rich" country.

Energy is the Material Basis of Modernization

Energy and human production and daily life are linked together. Historically, human society has passed through three energy periods: the firewood and grass period, the coal period and the petroleum period. Man began his utilization of energy with his discovery of fire, but the level of development of the productive forces in the period when wood and grass were used as the main energy sources was very low. During the immense industrial expansion brought about by the Industrial Revolution in the 18th century coal replaced wood and grass and gradually became the main energy source; social productive forces experienced an amazingly great expansion. By the 1950's, coal's predominant position began to be shaken, and the period in which petroleum would be the primary source approached. Within nearly a quarter of a century, many countries have come to rely on petroleum and natural gas, have created a brilliant material culture unprecedented in human history, and have carried out social modernization.

In general terms, growth of the national economy requires corresponding growth of energy resources. However, the relation between the rate of growth of energy consumption and the rate of growth of gross national product, i.e., the "energy elasticity coefficient," also known as the "energy consumption growth coefficient," is extremely complex. It is related to many factors such as the structure of the national economy, technical facilities, the standard of living and the like. In the period 1880-1920 when the United States was turning from agriculture to industrialization, its energy consumption growth coefficient was 1.65; for postwar Japan in 1955-1960 the coefficient was 1.27. If we analyze data for the main industrial countries, we find the following: in the initial period of industrialization, because industries with high energy consumption have arisen, the energy consumption growth rate is always faster than the rate of growth of gross national product, so that the ratio is greater than 1. But in the period from 1950 to 1975, because of the advances of science and technology, changes in energy structure and the structure of the economy, and energy-saving industries developed very rapidly, the energy consumption growth coefficient always dropped, generally to about 0.8.

In our country in the 25 years between 1953 and 1978, energy consumption has increased 9.5 times, and the gross national product has increased 5 times, so that the ratio between the two is 1.22. During this period, we mainly developed energy-intensive heavy industry, the chemical industry and the like. At the same time, our technological facilities and processes were relatively backward, most of them equivalent to the 1950's level abroad, energy consumption per unit product output was high, and the nationwide energy utilization efficiency was only about 30 percent.

In order to carry out the four modernizations in this century, should our country's energy consumption growth coefficient be large or small? This should be analyzed from many view points. Our country's industry has already acquired a certain foundation, and in the process of modernizations it will carry out technological transformation and reequipment of existing enterprises, will decrease energy consumption per unit output, and will increase the rate of effective utilization of energy; newly-created enterprises will use advanced technology and efficient production processes, and the product energy consumption will be much less than for older enterprises. The process of readjustment of the national economy, will make our country's industrial structure more rational; we use our energy very inefficiently and with shocking waste, and there is great potential for conservation. The amount of energy consumed in agricultural production is currently very small, but as agricultural modernization is implemented, the amount of energy consumed per unit of agricultural output value will increase. The raising of the people's standard of living will also steadily increase energy requirements, but the amount of energy used in agriculture and daily life will account for only a small proportion of energy consumption. If we examine the energy production and consumption experience of the world's main industrial countries during modernization and summarize these factors, we conclude that it is not necessary that the energy consumption growth coefficient for our country's modernization be especially large; it may be about 1, or even a bit less.

This is not at all to say that we do not need a large increase in energy production. Quite the opposite, any process of modernization must consume a relatively large amount of energy; particularly when carrying out universal mechanization, electrification and automation, energy requirements increase steadily. Social modernization is based on immense energy consumption. In the first 25 years of the last half-century, the world's energy consumption increased by only 70 percent. In the second

25 years, when many countries of the world were carrying out modernization, energy consumption increased rapidly, more than tripling. In modern production, energy sources not only represent fuel and motive power, but also are important industrial raw materials. The plastics industry, the synthetic fibers industry, the synthetic rubber industry and the like all use energy resources as raw materials. As modernization is carried out, the people's standard of living will also gradually be raised, people's clothing, food, dwellings and transportation will require increased energy resources, and consumption will increase continuously. But the estimate that the energy consumption growth coefficient will not be greater than 1 has important implications: first, our future energy production will have to be more realistic; second, we do not have to strive for excessively high energy consumption figures, but can set a relatively objective standard for our modernization.

But what kind of energy resource figures should we attain in carrying out our country's modernization? We believe on the basis of our country's specific circumstances that if yearly per-capita energy consumption in this country reaches 2 tons of standard coal, this can be called preliminary attainment of modernization. What will the modernization standard of living be like at that time? We have made a rough estimate that if 70 percent of energy consumption is used in production and 30 percent in daily life, the national product will be about 4-5 times what it is now, the urban housing problem can be basically solved, each person can have an average of 10 square meters of space, each household can use about 1,000 kilowatt-hours a year, every family can have some essential electrical equipment such as an electric refrigerator, electric fan, washing machine and the like, gas and central heating can be provided, and some households can even have a higher consumption level, including a small private automobile and the like. The countryside can be basically developed into cities and towns, with a much higher standard of living than in present-day cities and towns.

Is it possible to attain this level in this century, i.e., an annual per capita consumption of 2 tons of standard coal? Our answer is yes. In 1978 our country's energy consumption was 570 million tons of standard coal (not including rural animal energy sources), a per capita average of less than 0.6 tons. By the year 2000, we estimate that our country's population will have increased to 1.2 billion, and figuring 2 tons a person gives 2.4 billion tons, 4 times the current figure. In the next 5 years, while our country is in a period of readjustment, it is expected that the increase in energy resources will not be very great, but in the last 5 years of the 1980's, we may expect that energy resource production will expand somewhat, while we will also be making preparations for the next step in development; in the 1990's, however, we will be able to move forward rapidly.

The Technological Route to Energy Construction For Modernization

Our modernization will rely primarily on conventional energy sources. Conventional energy sources include petroleum, natural gas, coal and hydroelectric power, which constitute the majority of energy, and which are the energy sources currently generally used in production and daily life. In 1978, for example, worldwide energy consumption was about 10 billion tons of standard coal; conventional energy accounted for nearly 97 percent, with the other 3 percent being new energy sources such as nuclear and solar power. In terms of our country's circumstances, solar power, methane, geothermal power and tidal power can amount to only an insignificant part of our total energy consumption: conventional energy resources are almost 100 percent of our sources of energy. This predominance of conventional energy sources is

not expected to change during this century or over an even longer period. Although conventional energy sources are limited, the reserves of petroleum and natural gas will at least not be exhausted during this century, and the lifetime of coal utilization will be longer. Our country's coal reserves can be utilized for 300 years. The emergence of the worldwide energy crisis is forcing people to actively develop new energy sources, but in technological terms alone, it will take a relatively long period for new energy resources to replace conventional ones. Such countries as the United States, England, Japan, France, West Germany and the Soviet Union are relying on conventional energy sources for their current industrialization and modernization. This applies equally to our country.

Petroleum is the most precious of energy sources, and /in developing conventional energy sources we cannot slacken our effort in petroleum./ The development of the Daqing oilfield via our country of the "energy-poor" label. From liberation to the present, great achievements have been attained on our country's petroleum front. But because our country's geological exploration capability is weak, we have not been able to keep up; in addition our thinking has been excessively optimistic, and our estimates of petroleum reserves have been too high. Recently, while our petroleum reserves had not been fully ascertained, and it became apparent that these reserves were insufficient, some comrades began to have doubts regarding our petroleum future. It is true that underground reserves of petroleum are nowhere near as rich as those of coal worldwide. But our country's situation is that our geological exploration has been concentrated mainly in the Northeast and North China, accounting for 20 percent of the areas with reservoir structures, while 80 percent of the area still has not been worked on. Some people estimate that worldwide there can be no more oilfield discoveries like those in the Mideast; but in China we cannot rule out further discoveries of fields similar to Daqing. If this happens it will make a great contribution to solving our country's modernization energy resource problem.

Can we make the inference that while such countries as the United States, England, France, Japan and West Germany carried out their modernization in the last 20-30 years on the basis of cheap petroleum resources, we will be carrying out China's modernization on the basis of our own petroleum and coal resources over a somewhat shorter period? The course of history may prove this inference correct.

Petroleum is an excellent fuel. Actively strengthening this country's petroleum geology work and extracting and using our petroleum scientifically are important aspects of this country's energy policy. Currently the replacement of oil by coal worldwide is based on the shortage of oil and the rapidly increasing price, but in this century the predominant place of petroleum will not be altered. In developing our country's energy policy, we should take account of the shortage of petroleum sources but should take into account even more the importance of petroleum for modernization. We should do everything possible to find new petroleum resources so that our country's energy structure can be more advanced. We should operate with respect for objective economic laws; in the complex realm of economics we cannot guide everything by a few simple slogans. A few years ago, when we thought we had a great deal of petroleum, we stressed the use of petroleum as a fuel, but a single power plant conversion cost a few hundred million yuan. If we now change over from oil to coal, we will have to spend a few more hundred million yuan. In the current situation of petroleum shortages, we should cut back on our use of oil, but past economic lessons are worth bearing in mind.

From now on we must bear in mind that /we must utilize coal on a new technological level./ With petroleum in short supply the path to solving our energy problems will be increased extration and utilization of coal and vigorous development of

nuclear power. Faced with this prospect, the view has developed that our current modernization work relying primarily on extracting and utilizing coal would allow us to avoid the tortuous historical path of many countries which converted from coal to oil and then converted back from oil to coal. This view is onesided. Future coal use will not be the previous simple burning of coal, but will take the route of coal gasfication and liquefication, processing the coal into gas or liquid fuel and using it like petroleum or natural gas. If we say that the coal-oil-coal route is reality, then this coal cycle is not a mere mechanical reintroduction, but instead a reappearance at a new level.

We submit that we cannot maintain the current state of affairs in coal utilization. Consider the environmental pollution caused by our country's current burning of coal: this year we are burning 600 million tons of coal and producing 120 million tons of ash, 20 million tons of fly ash, and 12 million tons of sulfur dioxide gas, all of which are borne away and dispersed over the cities and countryside of the entire country. The result is serious environmental pollution, and none of the country's more than 1,000 cities and towns, including such famous scenic spots as Hangzhou and Guilin, has attained the international environmental protection standard. If this continues we will be unable to set up a clean modern state. Moreover, our country currently uses considerable quantities of low-quality coal, and many inhabitants of the country's cities and towns use coal briquets with even larger quantities of ash. We must immediately begin to improve our methods of coal utilization, raise our coal use efficiency, extract and use more high-quality coal, and carry out coal gasification and liquefication--all of which are effective methods. Coal gasification by cities should also be put on the agenda.

In energy construction for modernization, /we should expand the electric power industry beyond the former level./ Electric power is used extensively in all departments of the national economy and is one of the main yardsticks of the modernization of production and daily life. Worldwide, energy consumption for electric power production amounts a quarter of all energy consumption. In the modernization process, the development of the electric power industry has been relatively rapid all in all countries. In the last 20 years, the ratio of growth of electric power consumption to the growth of the gross national product has always been grearter than 1, and several of the main industrial countries average about 1.5, with the figure exceeding 2 in the United States. In the same period, this ratio has reached 1.8 in our country, indicating that the electric power industry in this country is developing rather fast. In 1978, electric power consumption accounted for 22 percent of total power consumption in our country. Electric power production can be carried out on a large scale in centralized fashion, and long-distance power transmission is generally rather superior, in addition to which use of electric power has the advantages of employing simple equipment and having a high conversion efficiency. As development of the four modernizations proceeds, the energy requirements of production and daily life will increase greatly. Our country's current energy shortfall is strikingly expressed in its insufficient supply of electric power.

Electricity is a secondary energy source which must be obtained from a primary energy source such as coal, petroleum or water power. In the future, as the power industry develops, water power will be developed as rapidly as possible, in keeping with the nature of our country's power resources. This country has the world's richest water power resources, and at present only 2.5 percent of our usable resources have been developed. The eastward flow of the mighty rivers is a flow

of coal and oil. Starting in the 1920's, many of the world's industrially developed countries have spent half a century of effort on hydroelectric power development, and have constructed hydroelectric power stations of all sizes, so that it is the most intensively developed primary energy source; but economical exploitation of the water power resources in many countries, such as France, Italy and West Germany has already reached the saturation point. For every 1 percent of its power resources that our country develops, it can obtain 4.5 million kilowatts of electric power capacity, equivalent to extracting more than 10 million tons of coal. Hydroelectric power is thought to require a large investment and a long construction cycle; however, these are not intrinsic shortcomings of hydroelectric power construction, but rather common problems of all power industries. In constructing a coal-fired power station, if the costs of coal mine investment, transport investment and expenses for municipal construction associated with an increased work force are figures in, the expense will not necessarily be less than for hydroelectric power, and the construction cycle will not necessarily be shorter. If hydroelectric power is developed well, it will not only require a smaller investment, but can be done faster.

/Energy construction must be far-sighted./ The current world population is 4.4 billion, and it is predicted that by the next century it will increase greatly, so that energy consumption will increase severalfold. Using a conservative estimate, in the year 2000 total world energy consumption will reach 20 billion tons of standard coal. Where will this immense quantity of energy come from? This problem requires that our consideration of energy questions be far-sighted.

The utilization of nuclear power has opened a brilliant prospect for the development of human production. Many countries believe that shortages in world energy supplies can be made up by nuclear power. Such countries as the United States, Japan and the various nations of Western Europe have already made development of nuclear power a national policy, and have speeded up its development. It is expected that by the year 2000 nuclear power will account for 13 percent of world energy consumption, and may amount to more than a quarter of total consumption in the United States. The nuclear industry has already developed into an immense industrial system worldwide; the existing 200-plus nuclear power stations in the world have a total capacity of 110 million kilowatts, while 300 stations are currently under construction or being designed, and by the end of the 1980's capacity will reach 400 million kilowatts. Light water, heavy water and graphite-moderated gas-cooled reactors are already operational on a commercial scale. High-temperature gas-cooled reactors and fast neutron breeder reactors have already been successfully developed and expected to increase nuclear power utilization efficiency by several dozenfold. As science and technology progress farther and farther, new nuclear technology is making uranium and thorium reserves adequate for human needs for more than 10,000 years. Our country was the fourth in the world to explode a nuclear bomb, but it still has not set up a nuclear power plant of its own. This country's conventional power sources are very unevenly distributed, and the development of nuclear power in areas whose economies are relatively well developed but which lack energy resources and are far from fuel production areas will be of special importance in solving their energy problems. Our country already possesses the conditions for developing nuclear power, and it should do vigorous planning work, intensify its research, make a strong effort in nuclear safety technology, decrease the cost of constructing nuclear power stations, and make the effects of nuclear power felt in this country as soon as possible.

Even if such energy-rich countries as the United States devote all their energy to developing nuclear power, the immense energy shortfall still cannot be made up. The Carter administration's energy plan proposes that by the year 2000 such renewable energy resources as solar power should account for 20 percent of US energy consumption. Solar power, wind power, biomass power, ocean power and goethermal power not only have immense potential, but are clean. In terms of energy resources, solar power and nuclear power could basically solve human society's future energy problems. Accordingly, while developing nuclear fission energy production, a vigorous search for new approaches and a policy of energy resource diversification will not only produce near-term benefits but also will be in accord with long-term objectives.

/The countryside must not be forgotten in energy development./ The rural energy shortage is much greater than the urban shortage, and consists primarily in a shortage of firewood and grasses. Currently more than a billion persons worldwide use firewood and grass as their fuel, with Chinese peasants accounting for half of these. How much fuel do this country's peasants require every year? If we figure an average of 20 jin of firewood per household per year, more than 600 million tons will be required. But currently the total output of crop stalks produced by all of the country's agriculure, as well as dried manure, firewood, methane and the coal supplied to the peasants by the state, fall far short of the nation's rural needs. Because of the shortage of fire fuel, the trees have been cut down in many areas and grasses have been uprooted, resulting in increasingly grave soil erosion. Currently soil erosion is a grave problem not only in the lower Yellow River valley, but in the Yangtze Valley as well. It has been estimated that if we do not pay attention to the desertification resulting from this ever-spreading soil erosion, in a few hundred years great cities like Peking will be surrounded by desert.

Because of historical traditions, this country's peasants will burn up more than 300 million tons of crop stalks every year. Stalks are not only a biological energy source but a precious raw material for light industry, a livestock feed and an organic fertilizer. Simply burning the stalks uses only 10 percent of the heat energy, while the other 90 percent is wasted. Buring of crop stalks year after year interferes with their return to the soil, so that soil fertility declines everywhere and the ecological balance is disrupted.

During the process of modernization, if we do not radically change the agricultural energy state of affairs in this country, starting by solving the fuel problems of our 800 million peasants, but rather continue to make do by burning crop stalks, we will not be able to claim that our energy problem has been solved or say that we have achieved modernization. At present the agricultural energy problem is already attracting serious attention in many countries. Two extreme positions have already been advocated in the United States. One is that of continuing current American agricultural management techniques, and at the same vigorously developing new energy sources so as to gain a new lease on life before the petroleum is exhausted. The other, which some call "ecological equilibrium theory," stresses abandoning the existing type of management, and returning to the cultivation techniques of the early twentieth century based on human and animal muscle power. We believe that we should proceed on the basis of this country's actual situation, and systematically improve the current agricultural energy situation, by first meeting the peasants' requirements for household fuel, then implementing modernization of agricultural energy sources. It must be recognized that our country has extensive rural areas with a large population, and it will be hard for the state to supply all rural energy sources over a long period; instead, we should rely on development of many

types of local energy sources. Depending on local conditions, development of methane production, construction of small-scale hydroelectric installations, the opening of small coal pits, the planting of firewood and charcoal woodlots, and the utilization of solar and wind power as soon as possible, are some good, fast methods of solving the country's agricultural energy resource problem. Chief among them are extensive utilization of methane and the construction of small hydroelectric stations.

The Path to Solving This Country's Near-Term Energy Shortage Problem

In the 1980's our country will face a grave energy shortage. It is estimated that before 1985 the rate of growth of our energy resources cannot exceed 20-30 percent. The rate of growth in the second half of the 1980's will not be much greater. In this period, the needs of production and daily life will be in clear contradiction with the low rate of growth of energy sources. There are three ways of resolving this contradiction: first, constructing new energy bases; second, conserving energy; third, having a rate of economic development commensurate with our energy resources. In the near term, active development of new energy sources, including the construction of new energy bases, and development of solar power, wind power and tidal power as well as rural methane gas will be helpful in increasing our country's energy supply and solving the energy shortage. However, because the energy construction cycle is relatively long, with such facilities as fossil-fuel power plants (including coal-fired plants) hydroelectric stations and nuclear power stations taking about 10 years, embarking on this path will not have a marked effect on solving the energy shortage.

The other two available approaches are energy conservation and adjusting the rate of development of the national economy. Since the state was founded, the rate of growth of the national economy has averaged 8 percent, while the rate of growth of energy consumption has been much faster. Naturally there are exceptions in which a rapid rate of growth of the national economy has been reached without increased energy consumption, such as last year in this country. But we should point out that to continue the rapid advance of the national economy we must have a relatively large rate of growth of energy supply as a guarantee. In the near term, it would seem that rational adjustment of the rate of growth of the country's economy so that it is in accord with energy consumption is an effective way of solving our country's grave energy shortage and arranging the national economy and the people's livelihood.

To reform our country's existing economic structure is an undertaking of great significance. We must develop fewer energy intensive heavy industries, develop more low energy consumption, rapid-accumulation light industries, improve production quality, reduce material overstocks and waste, use high-performance, high-capacity, high-efficiency equipment, resolutely implement the approach of "closing, cessation, combination, conversion" of enterprises with high energy consumption and poor quality which are difficult to convert, and no longer allow the "coal tigers, oil tigers and electricity tigers" to continue swallowing up our country's energy resources. In this way we can use less energy and maintain a relatively high rate of development of the national economy.

In the 1980's we will have to concentrate our attention on energy conservation. Energy conservation is a strategic measure to solve the problem of our country's energy shortage and promote its modernization. Energy conservation and development are two inseparable aspects of the solution of the energy problems of our country's

modernization construction, like the two wheels of a cart of the two wings of a bird. The quest for higher output through conservation is an important way of solving the current energy shortage.

It is necessary to have a correct understanding of energy conservation. Energy conservation is a decrease of waste at every stage of energy consumption, and improvement of the efficiency of energy use. Energy conservation does not at all mean a drop in output or in the standard of living. Rather, the same quantity of energy resources should be used to obtain increased output and the highest standard of living.

8480
CSO: 4006

BRIEFS

POWER GENERATION UP SHARPLY--Good news from the power industry: From January to August of this year, power generation throughout the nation was up 9.3% over the same period last year, fulfilling 68.2% of the yearly plan. During the first two-thirds of September, the average daily increase was 30 million kwh over the same period last year, which alleviated the power shortage in many areas and created conditions conducive to significant advances in industrial and agricultural production. In order to generate more electricity, they sought higher production through conservation. Strengthening management of fuel, they were able to reduce the amount of standard coal needed to generate 1 kwh of electricity by 9 grams over the same period last year, realizing a total savings in coal of 2.10 million tons. With advances in switching oil burning units to coal burners, 280,000 fewer tons of oil were burned this year. Power generating plants also paid attention to conserving energy themselves, saving a total of 223 million kwh of electricity in comparison with last year. [Beijing GONGREN RIBAO in Chinese 26 Sep 80 p 1]

CSO: 4006

WATER INJECTION APPLIED IN DAQING OILFIELD

Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 1, Jan 80 pp 63-76

[Article by Tang Zengxion [0781 2582 3574] of Daqing Oilfield: "Exploitation of Daqing Oilfield with Water Injection Method"]

[Text] In September 1959, the Song [liao Basin] Key Well No 3 was the first to strike the oil layer, thus starting the flow of industrial oil. Subsequently, no time was lost in investigating the extent and reserves of the oilfield, while the first exploitation region swung into production in June 1960. By 1976, the annual oil output of the entire oilfield had reached the highest projected level, and there were 3 years of stable production from 1976 to 1978. In the course of exploitation, relatively careful investigations of Daqing oilfield's geological conditions were carried out. Based on the different geological features of various regions, both the line cutting water injection pattern and areal sweep flood pattern of exploitation well networks with varying well spacings were employed. Aimed at the specific conditions of the oilfield, efforts were made to study and use the exploitation principle of "early period separate layer injection to maintain the reservoir pressure at nearly the same initial level," as well as the entire line of oil recovery technologies and techniques, which has brought about excellent results in the exploitation of the oilfield. The oil reservoir pressure was continuously maintained at nearly the same initial pressure level. At present, the average reservoir pressure of several thousand recovery wells throughout the entire oilfield is slightly higher than the initial level. Thus, the oil wells are still fairly good gushers. Besides the oil-water transitional belt where the shallow oil layer and high viscosity crude oil make it necessary to use oil pumps, 90 percent of the total number of wells are gushers, and none of them have ever stopped gushing or dried up which are usually caused by reservoir pressure drop. In the earliest exploitation regions where over 25 percent of the geological reserves have been recovered and the combined water contents account for nearly 60 percent, the recovery rate is maintained at over 2 percent, and the daily production per well is still at the same level as during the early stage of exploitation. Since 1965, through periodical general surveys of oil-water wells with the separate layer testing technique, in coordination with reservoir heterogeneity research and fluid dynamics calculations, the plane distribution of floodwater and remnant oil in all the oil layers became relatively clear, which helped to strengthen the aim of various enhanced recovery measures, thus producing remarkable results. In sum, as both the exploitation plans and technological measures conform to the specific conditions of the oilfield, the high yield period of the oilfield has been prolonged, and the final recovery rate of the oilfield has increased.

I. Geological Conditions of the Oilfield

The Daqing Oilfield is situated in the central portion of the Songliao Basin which is a large Mesozoic/Cenozoic inland sedimentary basin, covering approximately 260,000 square kilometers. Jurrassic, Cretaceous and Tertiary strata are widely distributed inside the basin, totalling over 6,000 meters in depth. Most of the surface is covered by Quaternary sediments. Daqing Oilfield's source beds, reservoirs and overlying strata are Qingshankou Group, Yaojia Group and Nenjiang Group strata of the Lower Cretaceous Series, and there is a very thick source rock which had developed in the central portion of the basin. Extending from north to south is a river-delta facies sandstone system wedged right into the source bed. The Daqing Oilfield is situated in a favorable spot where superimposed development of sandstone and excellent source beds had occurred (Figure 1).

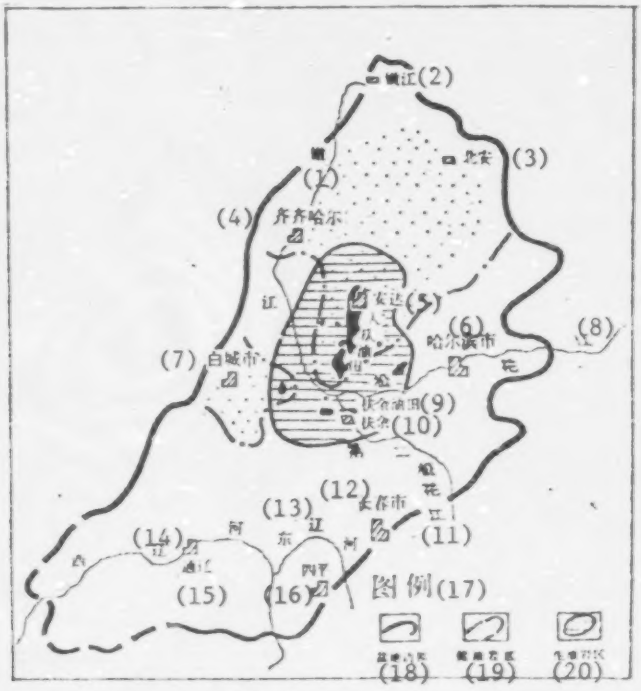


图 1 松辽盆地下白垩统主要生油岩与储油岩分布图

Figure 1 Distribution map of the main source beds and reservoir rocks of the Lower Cretaceous Series in the Songliao Basin.

(1) Nen Jiang (river)
(2) Nenjiang
(3) Bei'an
(4) Qiqihar
(5) Anda
(6) Harbin
(7) Baicheng
(8) Songhua Jiang (river)
(9) Fuyu Oilfield
(10) Fuyu
(11) Di'er Songhua Jiang (river)
(12) Changchun City
(13) Dongliao He (river)
(14) Xiliao He (river)
(15) Tongliao
(16) Siping
(17) Map Legend
(18) basin border
(19) reservoir rock area
(20) source bed area

Daqing Oilfield is located at a grade 2 structural zone known as the elongated dome of the central depression area in the Songliao Basin which is a long axis anticlinal structure; the axis runs 20 degrees north by east. The structure slopes gently, and the dips at both wings are unequal: the east wing dip measures 1-4 degrees, and the west wing dip is 4-14 degrees. There are seven local high points located at Lamadian, Sa'ertu, Xingshugang, Guotaizi, Taipingdun, Putaohua and Aobaota. The oil reservoir is 700-1,200 meters below the surface; the oil-water interface is lower in depth than the structural saddle between the local high points. The structural formation was accompanied by many normal faults, almost 500 in all. The overwhelming majority of the faults run in the direction of NW and NNW. The fault throws generally fall within 30-80 meters, the maximum being 190-odd meters. The faults extend 1-3 kilometers and the oil-water distribution is not affected by the faults.

The oil-bearing rock system of Daqing Oilfield is composed of interbedding layers of sand and mudstones of a river-delta facies system. As the sediments originated from the north, there is sandstone growth in the northern portion of the oilfield. Moreover, each well can hit some 30-40 layers of oil reservoir; for oil reservoirs measuring over 4 meters thick, each well can penetrate more than 4-6 layers. The thickest layer can reach over 40 meters, and mainly contains medium grain sandstone. Most of the sandstone in the southern portion of the oilfield have become mudstone through facies change; each well can only strike 5-6 or even less layers of oil, each measuring 0.5-2 meters thick on the average, and composed mainly of siltstone. The thickness of oil-bearing section is controlled by such factors as sandstone growth distribution and structural position. Some oil-bearing layers can reach over 500 meters thick, and the average thickness is 200-300 meters. In the southern portion, the oil-bearing layers are only approximately 50 meters thick. From north to south, the average reservoir thickness decreases from 55 meters to 2-3 meters.

The oil reservoirs are relatively weak deuterogenic rock debris feldspathic sandstone. While the rock structure is still basically controlled by primary sedimentary structure, the cement is mainly argillaceous, and the cementation is classified as contact type or porous-contact type. The stratification structure of the internal layers of the reservoirs are very well developed, and the common types of stratification are linear diagonal bedding, arc diagonal bedding, fine diagonal bedding, and various kinds of cross stratifications. The porosity is 20-30 percent, and core analysis show that the air permeability ranges from 1 millidarcy to ten-odd darcies. From the oil testing of single layers in the oilfield, it is found that the mean permeability of oil producing layers ranges from 30 to 1,200 millidarcies. The permeability between the various layers is exceedingly great, while high, medium and low permeable cross beddings are distributed upwards. The permeability changes primarily with granularity and argillaceous contents; the sandstone grains become increasingly finer from north to south, while permeability drops remarkably. The oil-water relative permeability curve under flowing oil-water facies conditions is obtained through testing of natural cores.

The average oil saturation is 60-80 percent, which is pretty much related to the permeability (Figure 2).

[Figure 2 on following page]

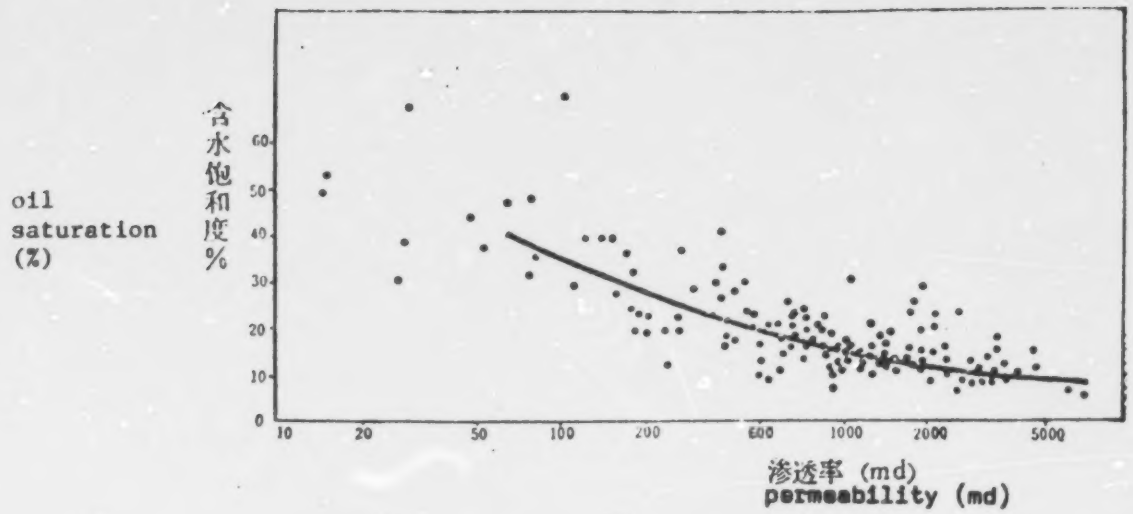


Figure 2 Oil saturation - permeability relation curve

图 2 含水饱和度与渗透率关系曲线

The rock surface has weak oleophilic property, but can be changed into weak hydrophilic through long period of waterflooding and washing.

The crude oil in Daqing Oilfield's is described as paraffin-base petroleum because its paraffin content is as high as 20-30 percent. Its solidification point is high; the solidification point of degassed crude oil is 25-30 degrees Centigrade. On the average, the sulphur content is less than 1/1000. The crude oil in the northern portion of the oil field has a relatively high content of colloid, thus the crude oil's viscosity and specific gravity gradually increase from south to north. The primary oil-gas ratio is 45 cubic meters per ton; the volume coefficient is 1.12; from north to south, the saturation gradually drops from 110 atmospheric pressure to 64 atmospheric pressure. Table 1 shows the changes in crude oil properties from south to north:

表 1 大庆油田原油性质变化表

1. 油田	2. 饱和压力 (大气压)	3. 原始油气比 (米³/吨)	4. 体积系数	5. 粘度 (厘泊) (1) 地层	(2) 地面(50°C)	6. 比重 D_4^{20}	7. 含胶 (%)
(1)喇嘛甸	104.9	48.5	1.122	9.6	21.6	0.8640	14.3
(2)萨尔图	91.0	47.2	1.122	9.4	20.4	0.8583	14.3
(3)杏树岗	75.6	44.4	1.116	6.6	14.1	0.8520	11.2
(4)太平屯	68.0	40.4	1.115	6.2	11.6	0.8485	9.9
(5)高台子	69.3	40.5	1.122	6.9	15.8	0.8533	8.1
(6)葡萄花	64.0	45.4	1.124	4.9	10.4	0.8393	6.3
(7)敖包塔	76.6	44.4	1.123	6.1	16.3	0.8556	10.3

[Key on following page]

Table 1 Changes of crude oil properties in Daqing Oilfield

1. oilfield
   (1) Lamadian (2) Sa'ertu (3) Xingshugang (4) Taipingdun
   (5) Gaotaizi (6) Putaohua (7) Aobaota
2. saturation pressure (atmospheric pressure)
3. primary oil-gas ratio (cubic meters per ton)
4. volume coefficient
5. viscosity (centipoise) (1) strata (2) surface (50 degrees Centigrade)
6. specific gravity
7. colloidal percentage

The reservoir pressure of Daqing Oilfield is slightly higher than the static water column pressure; thus, most of the oil wells are gushers. The three high points in the northern part of the oilfield have large areas, relatively integral structures, and comparatively extensive oil reservoirs. Thus, in various parts of the oilfield, all the oil reservoirs belong to a common pressure system. A linear relation exists between the pressure and reservoir depth, and there is a common oil-water interface. In the southern part, the reservoir permeability is poor, the extended area becomes small, and the oilfield is cut up by faults. Thus, each block forms its own pressure system and oil-water interface, while water bands and oil bands appear in some areas. In the northernmost part, the reservoir pressure at the high point in Lamadian is almost equal to the saturation pressure, and the undissolved natural gas has formed into a gas cap at the summit point.

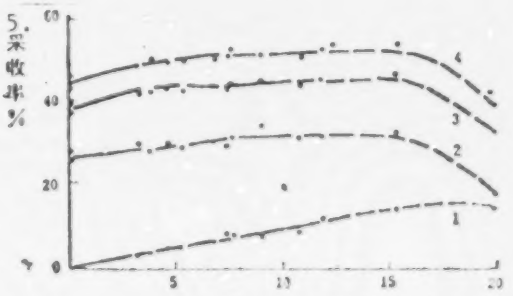
The oilfield water is classifed as heavy sodium carbonate; its gross salinity is 6,000-9,000 mg per liter, and its chloride ion content is 2,000-3,000 mg per liter, varying from low in the north to high in the south. In the northern part of the oilfield, the top layer portion of the oil-water interface is characterized by oxidized crude oil, increased contents of colloid and bitumen, plus the formation of thick oil section measuring approximately 50 meters high, and the crude viscosity is twice or several times greater than normal viscosity. The presence of the thick oil section affects the oil drive force of the edge water during the exploitation work. In the southern portion, although there are no evident thick oil sections on the oil-water interface, the lithologic character of the reservoirs becomes finer, the permeability becomes poorer, the extended areas of sandstone become smaller, and the driving force of border water is not strong.

II. Maintaining Reservoir Pressure Through Separate Layer Water Injection Technique in the Early Period

Daqing Oilfield is a large oilfield characterized by lack of edge-water drive condition. In the northern part of the oilfield, both the initial formation saturation pressure difference and the elastic energy are small. Based on calculations and statistical informatiom from the actual mining area, during the elastic recovery stage when the reservoir pressure drops to the saturation pressure level, it is possible to extract only approximately 1 percent of the geological reserves. When the reservoir pressure falls below the saturation pressure and the crude oil within the reservoirs begin to degas, oil and gas facies start to flow inside the reservoirs. The oil facies permeability inside the reservoirs and near the well walls rapidly fall while the oil-gas ratio of wells swiftly ascend; the well temperature

drops, and the wax precipitation point shifts downward, thus causing difficulty in oil well management and production slump as well. Moreover, following the degasification of crude oil, the crude viscosity multiplies and increases the flow resistance of the crude oil inside the reservoir, thus causing both the well output and oilfield recovery rate to decline. It is predicted that with the dissolved gas drive recovery method, Daqing's dry-up recovery rate can only reach 15 percent. Thus, the use of natural energy in the exploitation of Daqing Oilfield can only lead to unstable well recovery and very short period of high yield in the oilfield. Moreover, the recovery mode becomes even more complicated, making it difficult to manage the oilfields, not to mention the extremely low recovery rate during the primary recovery stage. On the other hand, when the subterranean crude oil viscosity is doubled and redoubled, and water injection is used for secondary recovery, it is by far impossible to restore the well recovery to the same level which it had attained during the early period of exploitation, as the water drive recovery rate will drop drastically, thus producing bad results in exploitation. Therefore, it is imperative to resort to early period artificial waterflooding in the exploitation of Daqing Oilfield, i.e. a recovery mode which can maintain the reservoir pressure, and thus produce excellent results in prolonging the high yield period and enhancing the recovery rate.

Since the 1950's, oilfield exploitation workers have attached much importance to the maintenance of reservoir pressure. But they still hold different views on the limits of pressure maintenance. Various bounds were proposed when plans for exploiting the Daqing Oilfield were under study. Based on the discussion by Krilov and other Soviet scientists who suggested that the application of the gas-oil miscible-type water flooding method was conducive to the enhancement of recovery rate, some people proposed to reduce the reservoir pressure to 5-10 atmospheric pressure below the saturation pressure level before the waterflooding stage; they believed that recovery under such low pressure conditions could lead to relatively high ultimate recovery rate. In 1973, the Fluid Mechanics Laboratory of the Scientific Research and Designing Academy of Daqing Oilfield conducted similar experiments with analog tubular physical models of Daqing Oilfield's reservoirs and crude oil; the tests gave saturation pressures below 15 percent, and when the saturation point of the gas content inside the oil layers reached 5 percent, the water drive recovery rate hit the peak level. This meant that the recovery rate could increase 3-5 percent as compared against water injections above the saturation pressure level only when the reservoirs contained bound gas no gas flows at all. Once the saturation point of the gas content exceeded 15 percent and evident gas flows appeared inside the reservoirs, the recovery rate dropped drastically (Figure 3).



6. 原始含气饱和度 %

图 3 非均质模型实验中采收率与原始含气饱和度关系曲线

1—溶解气驱采收率；2—无水采收率；3 有一倍孔隙体积水的采收率；4—有二倍孔隙体积水的采收率

Figure 3 Curves showing relation between recovery rate and initial gas saturation point in heterogeneous model experiment.

1. dissolved gas drive recovery rate
2. water-free recovery rate
3. recovery rate under one pore volume water flooding conditions
4. recovery rate under two pore volume water flooding conditions
5. recovery rate (%)
6. initial gas saturation point (%)

Based on analysis of foreign and domestic test data, it can be seen that in such a large oilfield as Daqing which has multiple oil layers and heterogeneous growth, it is practically impossible to cause the reservoir pressure to evenly reduce to a certain level during the initial stage of water flooding. Once the water injection begins, the inter-well and inter-layer pressures become increasingly uneven, which makes it even harder to maintain the reservoir pressure at an even level. Even if the application of the gas-oil miscible-type water flooding method can cause some increases to occur in the water drive recovery rate, it still amounts to practically nothing at all. Thus, when exploiting Daqing Oilfield, it is necessary to maintain the reservoir pressure above the saturation pressure. As the initial formation saturation pressure difference in Daqing Oilfield's chief exploitation region was only approximately 10 atmospheric pressure, the reservoir pressure was maintained at a level no lower than 5 atmospheric pressure below the initial reservoir pressure.

Although it was possible to slightly reduce the reservoir pressure before water flooding in the southern parts of the oilfield where the initial formation saturation pressure difference was great, owing to the upward drift of the degassing point following the reduction in saturation pressure, the gushing capacity of wells began to decline. With no water content, the gushing stopped when the oil reservoir pressure fell 20-30 atmospheric pressures. During the elastic recovery stage, only 1-2 percent of the geological reserves could be recovered. Moreover, with the occurrence of breakthroughs, the lowest gushing pressure rose even higher. Thus, the reservoir pressure was kept within the same bounds as in the northern parts of the oilfield. Based on the exploitation principle of reservoir pressure maintenance in the early period of water flooding, Daqing Oilfield formulated its first plans for a pilot exploitation region. In June 1960, the central pilot region of Daqing Oilfield swung into production. In October that year, the same region started to inject water. Subsequently all the exploitation regions began to apply the principle of starting water flooding and oil recovery engineering work simultaneously in the exploitation and construction projects. Early period water flooding was then adopted throughout the entire oilfield, i.e. injecting water right at the outset of oil recovery operations. Since the water injection method and well patterns were well adapted to the specific conditions of the reservoirs in all the exploitation regions, excellent results were attained both in water flooding and actual oil well production. From the very outset of production, all the exploitation regions managed to maintain their reservoir pressures. No one has experienced any sharp pressure drops since the beginning of well production, or has ever had to gradually recover the pressure through water injection. No one has had to shift the well patterns or change the cut spacings owing to inadequate results since water injection began. In exploitation regions with two or three series, careful study was conducted on the stability of the layers between the series, and partial adjustments were made to prevent stray currents from occurring between the series. In this respect, there is no doubt that we have excelled Soviet contemporary work in the water flooding exploitation of the Tuimazy, Romanshkino and Arlan Oilfields.

Thanks to the principle of maintaining reservoir pressure through early period water flooding, we have attained the projected results in exploitation work. In the course of water flooding and recovery, the reservoir pressure remained steady, the wells kept on flowing vigorously under high producing potential. Moreover, the oil recovery index slightly increased, and oil production in the exploitation

regions also rose modestly, while the properties of strategraphic crude oil remain unchanged. But the occurrence of breakthroughs gave rise to new problems, i.e. injection water breaking into individual high permeability layers.

Daqing Oilfield is a multi-pay field with interbeddings of sandstone and mudstone. Within the same well, the difference between the highest and lowest permeability among the various layers could reach as much as 20-40 times on the average. Moreover, the highest permeability could be 2-3 times higher than the average permeability of various layers in the well. The flood water mainly enters a small number of high permeability layers, thus causing premature breakthroughs. The water contents in high pressure water-bearing layers not only rapidly increase, but also interfere with the oil yield of other layers, thus causing the water contents in wells to rise even more rapidly. As a result, production falls drastically. In 1964, according to predictions based on actual data from the central region during the earliest period of exploitation, with the sweep-out water flooding mode, it was possible to maintain high yield production for only 3-5 years; and as each 1 percent of the geological reserves was recovered, the combined water contents would go up 7-8 percent while the ultimate recovery rate of the oilfield could only reach as little as approximately 25 percent.

To enable more reservoirs to be exploited with the water drive method, and in order to further improve the exploitation results and prolong the high-yield period, in 1964, the research institute successfully developed the single-string separate layer technology, which included the use of hydraulic pressure difference type sealers and water distributors, thus restricting the infiltration of flood water into high permeability layers, and increased the amount of flood water in medium and low permeability layers. By the end of 1965, all the injection wells requiring separate-layer water distributors throughout the oilfield had adopted the preceding technology, thus realizing separate-layer water flooding; each well was divided into 3-5 zones, and the separate-layer injection wells accounted for 87 percent of the total number of injection wells. Beginning in 1965, the early period separate-layer water flooding technique was applied in new exploitation areas, i.e. while the oil wells swung into production mode, flooding tests and multi-layer tests were conducted in injection wells, which subsequently began to inject water into separate layers. Over the past 10-odd years, the number of multi-zonal injection wells has been maintained at approximately 80 percent of the total number of water injection wells. In 1973, they successfully developed mobile eccentric water distributors and multi-layer probe meters. Without having had to pull out the well strings, this type of eccentric water distributor can adjust water distribution on any layer section, and the separate-layer testing instrument is fairly accurate and easy to use. With this type of multi-layer water flooding technology, there is no limitation on the number of layer sections in multi-zonal water distribution. In practical usage, due to the increasing complexity of water distribution and testing with the increase of layers, this type of technology is generally used for 4-5 sections, or at most 8 sections. Beginning in 1976, the separate layer water flooding technology was combined with the use of anticorrosive oil pipes, and became quite popular in Daqing Oilfield. It not only helped to increase the accuracy of water distribution, but also enabled even better control over the volume of flood water throughout the various layers.

With the development of separate layer water injection technology, new understanding and new developments have been attained in the principle and method of separate layer water distribution. In the early stage of this type of technology, it was required to propel the water lines uniformly into the high, medium and low permeability oil layers. Through a period of practical work, it was proven infeasible. This was due to the fact that most of the low permeability layers did not have sufficient water absorption capacity to take in the specified amount of flood water. Due to the heterogeneity of the distribution of permeability on the surfaces of the oil reservoirs, the water lines still could not be uniformly propelled even if it were possible to attain equal water flooding intensity or inject the same volume of water into each meter of reservoir depth. The emphasis on uniform water lines and over-limitation on the volume of water injected into the high permeability layers caused the reservoir pressure and production capacity to slowly fall. Thus, the principle of separate layer water distribution should be: Allow more oil reservoirs to be exploited with adequate water flooding. In oil reservoirs with relatively high water absorption capacity, try to maintain the reservoir pressure at a level near the initial value by means of the separate layer water injection technique, but do not allow the reservoir pressure of individual oil layers to become so high as to prevent other layers from producing oil. Redoubled water flooding measures such as extra injections should be adopted in poor absorption capacity reservoirs so as to store up more energy and pave the way for late period exploitation. The principle of injecting water into separate layers in the early period and maintaining the pressure during recovery work has enabled all the exploitation regions in Daqing Oilfield to attain adequate results from water injection. The reservoirs which respond well to water flooding and have excellent production capacity account for approximately 60 percent of the total reserves. The separate layer water flooding technique has helped to prolong the high-yield/stable-yield period, control the ascending rate of water content, improved the utilization factor of oil wells, and improved the exploitation results of the oilfield.

When breakthroughs occur in water flooding recovery, it is imperative to promptly solve such technical problems as crude oil dehydrating, treatment of oil-contaminated water and the reinjection of used water. Daqing Oilfield uses the electrochemical dehydration method which can reduce the water content of crude oil to below 0.3 percent. The purification treatment of oil-contaminated water further reduces the oil content to below 30 mg per liter, thus meeting the requirements on the quality of water to be used in water flooding. The reinjection of used water not only solves the problem of continuously increasing demands for more injection water, but also helps to maintain the oil reservoir temperature. Daqing Oilfield's reservoir temperature is approximately 45 degrees Centigrade. Due to the high paraffin content in crude oil, the wax precipitation temperature of the crude oil is also high (generally about 36 degrees Centigrade; it reaches 39-42 degrees Centigrade at Lamadian, the high point located in the northernmost part of the oilfield). Thus, the maintenance of reservoir temperature and the prevention of wax precipitation constitute another problem in the water flood exploitation of Daqing Oilfield. The chief reason behind the reservoir temperature drop during the middle period of oilfield exploitation lies in the oilfield's relatively high water content, plus the large increase in injection water and recovered liquids. But the reinjected water percentage also increases with the rising water content. Thus, the reinjection of used water is a fairly good way of maintaining the reservoir temperature. In addition, good solutions have been found for such problems as iron removal, dirt prevention and germ extermination, which occur during water injection and used-water reinjection.

In 1977 and 1978, to increase the injection volumes of high and low permeability layers, the injection pumps were changed and improved, which generally increased the well head pressure of injection wells from 100-110 atmospheric pressure to over 130 atmospheric pressure, causing the flood water volume in the low permeability layers to greatly increase. At present, the well bottom pressure of injection wells is already close to the fracture pressure of reservoirs.

III. Research on the Heterogeneity of Oil Reservoirs

Ever since the preparation stage for prospecting and exploiting Daqing Oilfield began, much importance has been attached to research on the heterogeneity of the reservoirs. Having explored the oil-water border of Daqing Oilfield and controlled the oilfield's area and reserves, 519 geological data wells were drilled thoughout the entire field at the density of one well per 3-4 square kilometers. All the wells have undergone coring tests in the reservoir section, and a total of over 53,500 meters of cores have been extracted. The core recovery has reached over 90 percent, including four oil-base mud cored wells. In order to probe deeper into the heterogeneous conditions near the oil layers, in 1965, five cored wells were drilled 100-120 meters apart in the northern area. In 1973, to study the heterogeneous conditions and watered-out features inside thick reservoirs, thick layer pilot areas were developed; with well spacings of 200 meters in square patterns, 13 test wells were drilled; nine of them were cored wells, from which 480 meters of cores were extracted. Careful lab analysis of the cores were made, including porosity, permeability, oil saturation, chlorate and carbonate contents, granularity, ore slice verification, clay minerals, pore radius distribution, oleophilic and hydrophilic properties of rock surfaces, capillary pressure, and determination of facies permeability curves. Special attention was attached to reservoir permeability, and 10 samplings per meter were extracted from the reservoir portion intensive testing. Cored wells were also drilled in selective reservoirs with different permeability grades and heterogeneous features; single layer oil tests were conducted in 1,345 layers, while production data and pressure restoration curves were used to determine the effective permeability. Such a wealth of data provides an excellent basis for reservoir heterogeneity research. By correlating the relative resistivity of rocks with oil saturation point, and oil-saturation point with permeability, it was possible to combine the core analysis and single-layer oil test permeability data with the electric logs of the preceding wells, and thus plot permeability graphs which interpret the electric logs of various oil layers in each region (Figure 4). The mean error is 30-40 percent, but the graphs are quite accurate for oil layers with differences between high and low permeabilities amounting to several tens of times; the graphs help to interpret the permeabilities of each oil layer in every well of Daqing Oilfield.

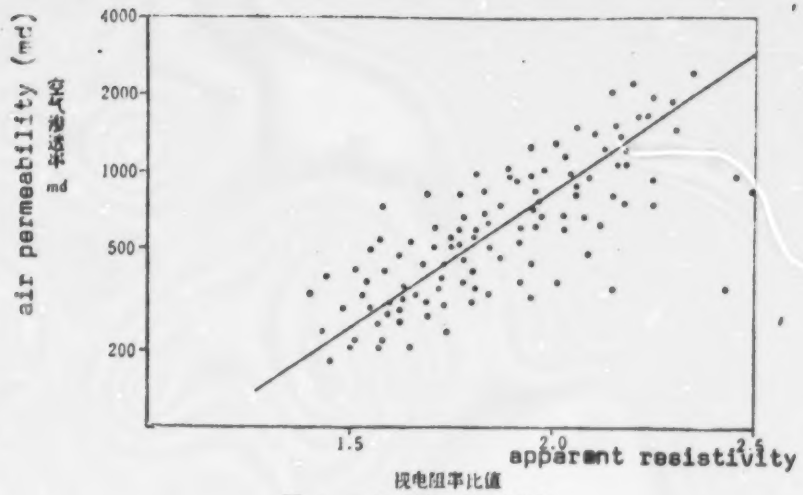


图 4 电渗解释渗透率图版

Figure 4 Permeability interpretation chart using electro-osmose logging method

Large scale coring observation and research work also facilitate in-depth comparative study of the oil layers. On the basis of comparative study through the use of auxiliary criteria which consists of regionalized key beds and local growth, and based on the cyclic sedimentation of fragments, the entire oil-producing zone of a well is divided into 40-odd small scale depositional cycles known as sandstone groups. Each depositional cycle forms a stratum of 10-15 meters thick, and the depositional cycles can be traced back to the entire oilfield. Within a depositional cycle, the sand layers have relatively fixed positions. Reservoir comparison is carried out by comparing the cycles; under recovery well pattern conditions, it is possible to compare sandstones measuring more than 2 meters thick with no errors at all; and thin sandstone comparison is also relatively reliable. Profile charts and plane charts of reservoirs are plotted against the results of multi-bed reservoir comparison, plus the division of reservoirs into effective layers and the interpretation of permeability. Based on classification according to reservoir depth, properties and planar distribution, Daqing Oilfield's oil layers can be divided into the following general categories:

1. Large-scale thick reservoirs with high permeability distribution -- This type of reservoir only has 1-3 sandstone groups in each region, and constitutes the chief target of exploitation in the oilfield.

2. Thick reservoirs with medium/high permeability distributed in strip areas -- This type of reservoir has 8-10 sandstone groups in the northernmost part of the oilfield, and gradually diminishes southwards. Thin lenticular sandstones often appear in the sandstone groups' corresponding undeveloped layers.

3. Widely distributed thin low permeability layers -- This type of reservoir includes some layers which are chiefly composed of fine siltstone and pelitic siltstone; the effective thickness portion of such layers are characterized by lenticular distribution. It is the most well-developed type of reservoir in the oilfield.

4. Scattered thin lenticular sandstone layers -- This type of reservoir is found in the central and southern portions of the oilfield.

Although the depths, areas and permeabilities of the preceding types of oil-bearing sandstones differ greatly, the bases are all surrounded and isolated by impermeable mudstones, thus forming independent bodies of oil-bearing sandstone, which are the basic units of oil-water motion in the course of water injection exploitation. Oil-sand maps are charts which reflect the depths, permeabilities and planar distributions of the basic units of oil-water motion (Figure 5).

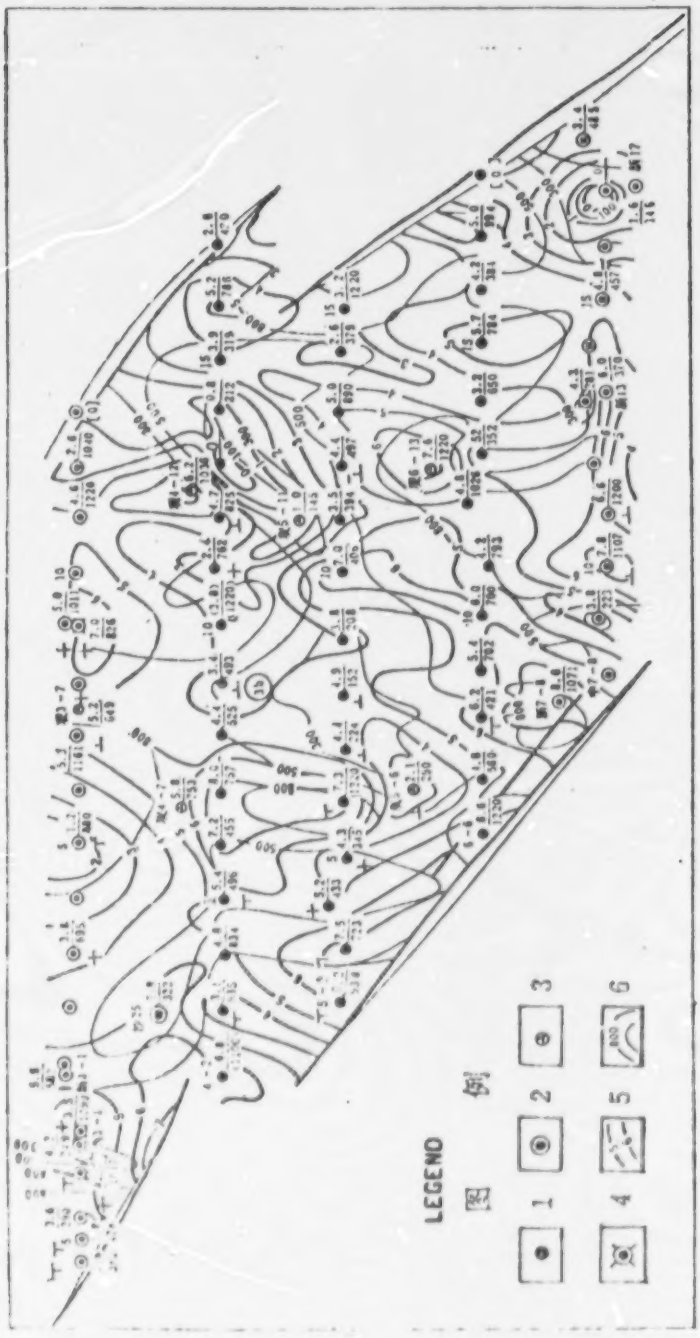


图 5 中区西部葡Ⅰ₂油层油砂体图

1—油井；2—注水井；3—观测井；4—报废井；5—油层厚度；6—

Figure 5 Oil-sand map of Putaohua's I_2 reservoir located in the western part of the central region.

Legend: (1) oil well; (2) water injection well; (3) observation well; (4) abandoned well; (5) reservoir depth; (6) permeability contour

From the numerous facts pertaining to more than 10 years of oilfield water injection exploitation work, it can be seen that in the overwhelming majority of cases, oil-sand charts agree with the results of multi-layer testing in the following aspects: oilfield heterogeneous conditions, predictions on the water absorption capacity of various layers during water flooding, the multi-bed yield of oil wells, oil well breakthrough time, and determination of breakthrough positions in oil wells, etc. This means that oil-sand maps can basically reflect the objective conditions of heterogeneous reservoirs. But in some well groups and reservoirs, the acutal oil-water motion and distribution do not agree with the permeability distribution in the sandstone charts. Moreover, under similar reservoir permeability conditions in different regions and layers, the characteristics of oil-water motion differ greatly, which goes to show that electric logging interpretation of permeability can not fully reflect the objective conditions of permeability heterogeneity.

Studies on the permeability stratification of various kinds of reservoirs and water drive reservoir experiments with actual core reservoir physical models have revealed the following three chief reasons behind the failure of electric log interpretation of reservoir permeability to reflect the objective conditions of reservoir heterogeneity.

1. As the electric log interpretation of reservoir permeability is reservoir mean permeability, it can not reflect the permeability heterogeneous conditions within reservoirs. The difference between the highest permeabilities of two reservoirs with equal mean permeabilites can range as much as two or three times; the chief factor controlling the motion and distribution of oil and water lies in the highest permeability as flood water breaks through the highest permeability section first.

2. The permeability distribution of and inter-relationship among the wells on the oil-sand map are represented by permeability contours based on electric log interpretation which do not reflect the depositional characteristics of the sand bodies in the course of their formation. The current sand bodies were not produced from only one formation process, but many formations. Rock layers of different formation periods are often separated from each other by interbeddings of low permeability or even thin argillaceous strata. Thus, within a sand body, layers of the same formation period have relatively good planar permeability. The highest permeability poritions of the same formation period are especially susceptible to breakthroughs by flood water.

3. The log interpretation of permeability can not reflect the stratified structure of oil reservoirs. According to tests on the horizontal permeability and vertical permeability of relatively well-developed reservoirs, as well as experiments with physical models of water-drive reservoir planes, it has been determined that relatively great differences exist between the permeabilities of parallel stratifications and perpendicular stratifications. Moreover, the situation also varies in water injection advance.

In the study of the characteristics of microdeposition, lab tests were conducted with planar physical models of water drive reservoirs which revealed that flood water first advances along the stratifications. It is easier to propel injected water into linear diagonal stratifications, but the water drive reservoir efficiency is the lowest. It is not easy to propel flood water into cross-beddings, but the

water drive reservoir efficiency is the highest. When water is injected into parallel stratification planes within the same diagonal stratifications, the waterline frontal difference becomes prominent, and the drive efficiency is low. But as water is injected into perpendicular stratification planes, the waterline front becomes even, and the drive efficiency is high. The reservoir stratification structure is closely related to the reservoir's own lithologic character, granularity and depositional facies.

Through research on depositional facies, a deeper understanding of reservoir heterogeneity has now been attained in the following three aspects:

1. Daqing Oilfield's main reservoir (widespread distribution of thick high permeability oil layers) can be divided into two major categories: river facies and delta facies. The main oil layers of the river facies type is characterized by great permeability differences, remarkably cyclotheric granularity, and the high permeability at the bottom is much higher than the mean permeability. The chief oil layers of the delta facies generally have relatively small permeability difference within each stratum. In river facies sandstones, different river systems of different periods are characterized by relatively great differences in sand carrying capacity and wash undercutting force; thus it is possible to further divide them into such subfacies as river beds, banks, natural embankments, breached fans, etc., which have various degrees of infraformational heterogeneity.

2. The river bed subfacies of the river facies, as well as the cores of river-mouth sand banks and foliated subfacies of the delta facies are all situated in the highest permeability portion of the oil reservoirs. The production capacity is high and the flood water can easily break in here. But its planar distribution is also characterized by relatively large gaps; the river bed subfacies are often distributed in strips, while the cores of river-mouth sand banks and foliated bodies are spread out like small discs or fans.

3. The granularity of the sandstone bodies follow a certain cyclotheric sedimentation pattern, on the basis of which a thick sandstone can be divided into two or more depositional time units. The thin (only 10-40 cm thick) argillaceous or low permeability intercalated beds between different time units can often be traced within the scope of a well group or several well groups. Within this small scope, the thick layers are often composed of two or more stacked reservoirs, which permit very little or no oil-water run-off currents at all during flood recovery operation. To a certain extent, such layers should be regarded as dual or triple layers.

Based on the findings in the study of the preceding sedimentary facies, fairly good results have been achieved in the interpretation of the gaps existing in interzonal and interlayer oil-water motions. The flood depth in river facies sandstones is relatively shallow, especially in the river bed subfacies portions; the flood water breaks in through the high permeability zone at the bottom; thus, the breakthroughs are fast and water-cuts rise rapidly; and the flood water intrudes in strip-like patterns along the planar surfaces. In the case of delta facies sandstones, the flood depth is relatively deep; the breakthroughs and water-cuts rise relatively slow; within small planar areas, the breakthrough time and water-cut conditions are quite uniform. In the overlying section of main delta sandstone bodies, channel deposits of distributaries which had formed after the suppression of lake basins

often occur; although channel deposits are inferior to the main bodies of delta sandstone as far as thickness and mean permeability are concerned, they are often more conducive to flood waterline advances than the main sandstone bodies.

To determine the flooding characteristics of heterogeneous reservoirs, beginning in 1965, Daqing Oilfield drilled 16 closed cored wells in succession, totalling 1,610 meters of core samples. As the wells bored into the reservoirs, the cores were closed with sealing fluids so as to prevent mud flushing and thus attain better information on the reservoir flooding conditions.

In the thick layers of sandstone of river bed facies, the water washing section is limited to the reservoir bottom, and the flood depth of the whole layer amounts to only 20-30 percent of the total thickness, while the rest of the layer is not affected by flood water. But oil tests throughout the entire layer indicate water contents of more than 90 percent in the washing section, the drive oil efficiency can reach as high as 60-80 percent, and the rock surface has changed from weak oleophilic to weak hydrophilic. Studies through scanning electron microscopes reveal that this is mainly caused by the flood water which seeps away clay from the surface of rock grains, thus enhancing the heterogeneous property inside the layer. In the delta facies sandstone, the flood depth is greater, reaching as much as 80 percent of the total reservoir depth (Figure 6).

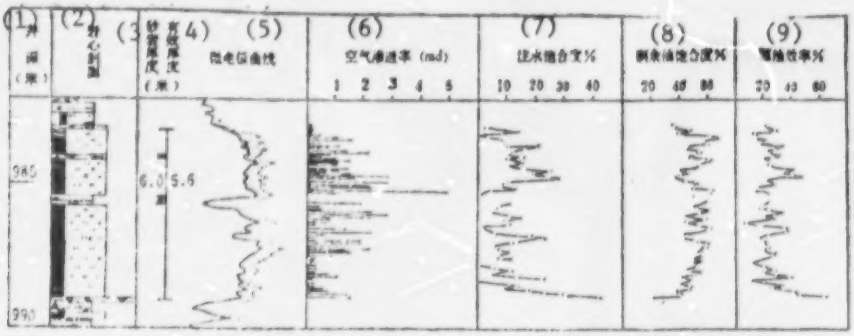


图 6 中检4-4井葡Ⅰ6油层层内水洗状况图

Figure 6 Chart showing water washing conditions inside Pu I_6 reservoir of central inspection well 4-4

(1) well depth (m)
(2) core profile
(3) sandstone thickness (m)
(4) effective thickness (m)
(5) micro-electrode curves
(6) air permeability (md)
(7) flood water saturation point (%)
(8) remnant oil saturation point (%)
(9) drive oil efficiency (%)

Multi-section water flooding occurred in thick reservoirs with intercalations (Figure 7).

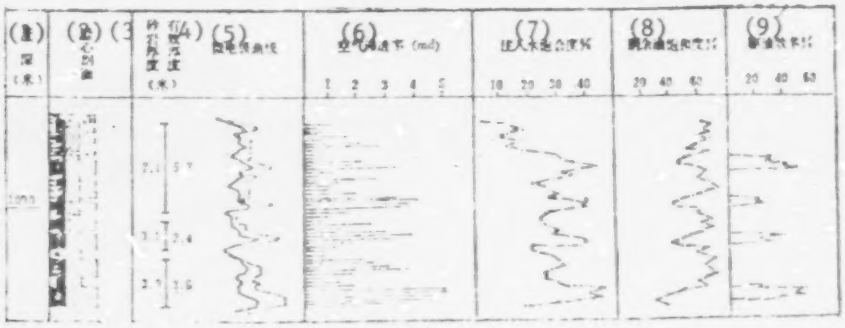


图 7 检335井葡I$_{1-3}$油层层内水洗状况图

Figure 7 Chart showing water washing conditions inside Pu I_{1-3} reservoirs of insepction well 335.

(1) well depth (m)
(2) core profile
(3) sandscone thickness (m)
(4) effective thickness (m)
(5) micro-electrode curves
(6) air permeability (md)
(7) flood water saturation point (%)
(8) remnant oil saturation point (%)
(9) drive oil efficiency (%)

At present, there is need to get a deeper understanding of the heterogeneity of Daqing Oilfield's reservoirs through research on the stratification and anisotropic properties of the reservoirs.

IV. Overall Adjustments of Oilfield and Tapping Potentialities

On the basis of reservoir heterogeneity research and pressure maintenance during separate-layer water flooding operations, separate-layer oil recovery techniques were developed in the course of the exploitation of Daqing Oilfield, thus ensuring high yields and stable yields. The technology includes the following main aspects:

(1) Selective Fracturing Technique

Packers are used to isolate specific zones for fracturing, and aqueous-base fracturing fluids are used for sand-carrying fracturing jobs, thus enabling the packers to be released stage by stage; each string can provide for the fracturing of 2-3 layers, but care must be exercised in choosing the suitable intervals for fracturing, i.e. low-permeability, low-yield reservoir zones which are conducive to optimum water flooding results, and generally do not suppress breakthrough layers. For reservoirs with poor flooding results, the first thing to do is to intensify water injection, or adopt such measures as selective acidizing or fracturing in injection wells, and start well fracturing when the preceding measures produce the desired results in the wells. This way, fairly good results can be attained in increasing production; on the average, approximately 15 tons of crude oil is produced daily

from each well with two fractured layers. Moreover, based on test data taken from separate layers following the fracturing operations, by regulating the flood volume in the various layers of the injection wells, it is possible to strike a balance between water flooding and oil recovery on the basis of increasing oil well production. After increasing production through the oil well fracturing method, it is possible to maintain a fairly long period of stable yields, and the overwhelming majority of yield-increase periods amount to over a year. Reservoir heterogeneity research and subdivision tests have proved that due to the very shallow flood depths, plus the presence of pelitic or low permeability thin intercalations inside the layers, it is possible to employ the selective fracturing technique. Prior to the fracturing operations, small displacements of fracturing fluids carrying tiny wax balls of low oil-solubility are injected under low pressure into the oil layers. Owing to the high permeability of the flooded portions of the oil reservoirs, plus the high relative permeability to water, the low pressured water-base fracturing fluids basically enter the flooded portions only, and rise with mounting pressure. This proves that after temporarily sealing the flooded portions with the tiny wax balls, it is possible to fracture the oil-bearing portions with the sand-carrier fracturing technique, and thus increase oil recovery with little or no water increase. As Daqing Oilfield's oil layers are found in shallow depths, the fractures are generally horizontal, which proves that the fractures are composed of main horizontal fissures accompanied by small net-shaped cracks; the reticulated cracks are bound within the top and bottom intercalations located above and below the sandstones occupied by the main fissures.

(2) Selective Plugging Technique

Water can be plugged either with packers or chemicals. Packers are suitable for oil wells with single layers which are high in water content. The well strings consist of hydraulic compression packers and eccentric production distributors; before and after the plugging job, metering instruments are used to obtain data on the production volume, pressure and water contents of each pay zone. The high water content layer often causes the entire well's flow pressure to rise, and interferes with the production of low water content or water-free reservoirs. When a nigh water content layer displaces large quantities of fluid, it also prevents the flood water from entering low water content or water-free portions. In this case, it is possible to simultaneously increase the production of this particular well and other wells of the same well group by plugging up the high water content layer, which not only eliminates interferences between the layers, but also increase the flood volume. Generally, plugging should be executed when a layer's water content exceeds 80 percent; but if the well displaces large quantities of fluid, which affects water flooding in periferal wells, it is best to plug the water-bearing well when the water content of the layer reaches 60 percent.

Today, there are two kinds of plugging agents for chemical plugging: calcium chloride and water glass. A packer is used to plug up the high water content layer, and the plugging agent is used to seal up the entire reservoir. But the layers can be reopened for production by acidizing or fracturing. Chemical plugging is generally suitable for wells with multiple high water content beds. The multiple high water content layers not only interfere with low water content layers and water-free beds, they also interfere with one another. Under such circumstances, it is impossible to correctly determine the breakthrough layers by conducting

water-finding tests on each separate layer; if there is no significant fall in the water content of the entire well after setting up the packer, it is necessary to first apply chemical plugging on those layers which are definitely high in water content. This is followed by water-finding tests on each separate layer until a significant fall in water content occurs. Due to the large number of plugged layers which are fairly thick to begin with, the production capacity of the entire well is generally low when the plugs are applied. Thus, in order to effectively reduce water and increase oil recovery, it is necessary to fracture the pay beds.

In some wells, partially stable thin intercalations are distributed within thick oil reservoirs; due to the tremendous difference in the water contents of the various sections, it is necessary to conduct plugging on an elaborate scale. Packers can be used to plug up the bottom water content portion, or seal up the entire layer first with chemical pluggers. Then, without resorting to sand-carrying fracturing, open the top low water content portion. So as long as the casing in the thin intercalation portion is firmly sealed from the outside with cement, fairly good results can be attained in plugging.

(3) Dual String Oil Recovery Technique

Dead oil zones may occur from plugging well arrays in the center of line drive patterns and certain wells in areal sweep patterns. To eliminate the interference of high water content layers with other layers, a fairly good way is to use dual strings to recover oil from high and low water content layers respectively. Now, most of Daqing Oilfield's dual string recovery wells are using the technique of exploiting two separate sections, which is suitable for oil wells with single high water content layers. There are also a small number of wells which use dual strings to recover oil from three or four sections, and the wells are distributed alternately among high water content layers and low water content layers.

The preceding measures for adjusting oil wells and tapping potential resources are only effective when used in conjunction with separate-layer water flooding. The overall objective is to increase the flooding volume, prolong the oilfield's high yield, stable yield period, and enhance the ultimate recovery rate. Due to the different stages of exploitation work, the conditions for applying the technologies also differ. Generally, during the water-free recovery and low-water recovery (water content less than 20 percent) stages, the quality of separate-layers flooding work ensures the high yield and stable yield production of the oilfield. During the medium water content (20-60 percent water) recovery stage, selective fracturing of the oil wells is done on the basis of separate layer water flooding; when the oil wells enter the high water content (over 60 percent) recovery stage, stable yield is achieved by plugging or dual string recovery. As adjustments and tapping are always carried out on portions of the oilfield, the stabilization of oil production depends on enhancing the recovery of certain portions of the oilfield to compensate for the decreasing well production in other portions of the field.

In each particular exploitation stage, the various resource tapping measures should not be used for one well only. It is necessary to depart from the heterogeneity of the oil water advance between the layers, on the planar surfaces and within the layers throughout the entire area. Thus, in Daqing Oilfield, it is required to measure the volume of water injected into the various layers each quarter, and, in

addition to quarterly inspection of reservoir pressure, it is also necessary to inspect the oil yield and water contents of each separate layer every other year with turbine flowmeters and water ratio metering devices. Based on the metering data, the horizontal surface distribution of petroleum in each principal reservoir is mapped out on charts. The charts indicate the heterogeneous features of interlayer, planar and intraformational distribution of oil and water; and based on the charts, plans are formulated for making overall adjustments, regulating water distribution in each separate layer, and also for drawing up blueprints for oil-well selective fracturing and plugging. As a consequence, excellent recovery results are attained in the exploitation of the entire region. Following are examples of two exploitation regions which illustrate the effects of separate layer water flooding, overall adjustments and tapping potentialities.

The western portion of the central region covers 9 square kilometers with geological reserves amounting to 37.6 million tons. Altogether, there are 53 oil wells and 33 water injection wells. The area has two productive series under exploitation: Sa'ertu Reservoir and Putaohua Reservoir. Both reservoirs use line drive patterns in which the cut spacing is 2,400 meters. Between rows of flood wells are three rows of production wells placed 500 meters apart, and the row spacing is 600 meters. Odd number wells recover oil from the lower portion of Putaohua Reservoir, and even number wells recover oil from the upper portion of Sa'ertu Reservoir. Flood recovery began in 1960, and entered full-hole sweep-out flooding stage in 1960-1964, during which water-cut rose at the rate of 7-8 percent for every 1 percent recovery of the geological reserves. The period 1965-1969 was the separate-layer flood recovery stage in which water-cut rose at the rate of 3 percent for every 1 percent recovery of the geological reserves. From 1970 to the present, separate layer flooding has been combined with overall adjustments and the tapping of potentialities; during this stage, the water-cut has risen at 1.1 percent for every 1 percent recovery of the geological reserves. Today, the recovery level is 30 percent, the combined water cut is 55 percent, and the oil recovery rate is maintained at 2 percent. Each well can produce 45 tons daily, while maintaining the level of the early stages of exploitation (Figures 8, 9).

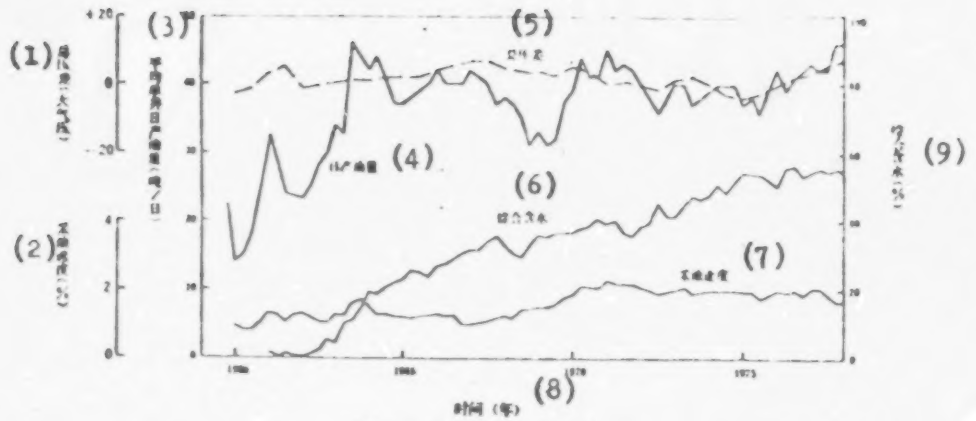


图 8 中区西部开采曲线

Figure 8 Recovery curves of the western portion of the central region.

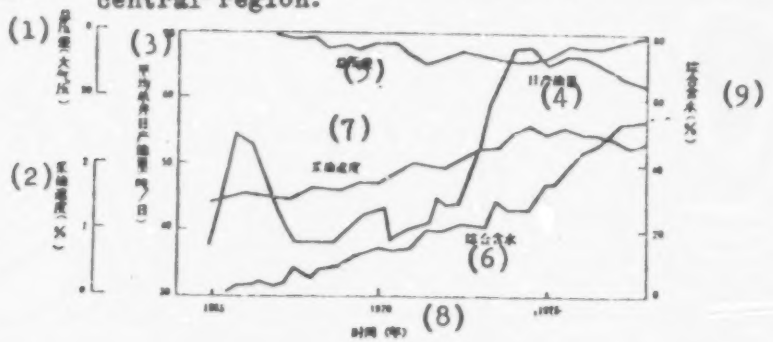


图 9 南二区开采曲线

Figure 9 Recovery curves of the second southern region.

(1) total pressure difference (atmospheric pressure)
(2) oil recovery rate (percent)
(3) mean daily yield per well (ton/day)
(4) daily production volume
(5) total pressure difference
(6) combined water-cut
(7) oil recovery rate
(8) time (year)
(9) combined water-cut (percent)

In the second southern region, the Pu Group well pattern covers 23 square kilometers with 33,770,000 tons of geological reserves. Altogether, there are 32 flood wells and 40 oil recovery wells. The line drive flooding technique is used here; the cut spacing is 3 kilometers, and production wells are bored in three rows. In the first row, the row spacing is 1,000 meters; in the second row, the row spacing is 500 meters. The production wells are placed 500 meters apart and the flood wells are placed 300 meters apart. Flood recovery began in 1964, thus materializing early period separate-layer water flooding. The water-cut ascent was controlled

at approximately 2 percent for every 1 percent recovery of the geological reserves. At present, the recovery level is 28.3 percent. The combined water-cut is 54 percent. The annual recovery rate is 2.7 percent. Each well produces an average of 61 tons per year, which is 50 percent higher than the early stages of exploitation. The recovery level is also better than the western portion of the central region.

As the high/medium permeability layers gradually entered the high water content oil recovery stage, the recovery of low permeability layers became increasingly important. Besides widespread use of high pressure water injection to increase the flood volume in high/low permeability beds, several exploitation regions in Daqing Oilfield have already resorted to close-well patterns in low permeability layers especially to recover oil from low permeability layers and oil-bearing pelitic siltstone. In these areas, the low permeability layers' water absorption capacity and flooding efficiency were improved in no time. After restoring the pressure, the oil wells' production capacity also greatly increased, and all the wells likewise maintained flow-production status, and the oil recovery rate reached as high as approximately 20 tons per day. The next step is to come up with suitable plans for intensifying the patterns while keeping the number of close wells down to a minimum.

Besides underground adjustments in the oilfield, it is also necessary to increase the flood volume and contaminated water treatment to match the ever-increasing volume of water contents and oilfield production fluids. Moreover, in order to meet the oilfield requirements for maintaining high and stable yields, the water flooding and crude oil gathering line system should be adjusted, tapped, improved and expanded in stages.

In sum, by emphasizing specific conditions in the course of its development, Daqing Oilfield has attained fairly good results in solving technical problems which had been crucial to understanding and reforming the reservoirs. In the future, steps must be taken to further the in-depth study of reservoir heterogeneity as well as to improve the accuracy of metering each separate layer, and increase the flood volume in thick reservoirs. It is also imperative to enhance the production capacity in low permeability beds and solve such technical problems as how to discharge large volumes of fluids during the high water content oil recovery stage, so as to further enhance Daqing's exploitation work.

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CSO: 4006

CONSTRUCTION

REDUNDANT CONSTRUCTION PROJECTS IN NATION DECRIED

Beijing RENMIN RIBAO in Chinese 25 Aug 80 p 3

[Report: "Some Departments and Units Blindly Pursue Their Own Systems; Redundant Construction of Factories Causes Enormous Waste"]

> [Text] Editor's note: Our country is still very poor, and every penny should be treasured. However, incorrect guiding ideology, coupled with poor planning, has caused some places to develop a situation in which each does things in his own way. Some pressing construction projects have received no investment, while much redundant construction has popped up, resulting in serious waste. The information [below] provided by the Chinese People's Construction Bank deserves great attention from concerned parties.

It has been learned from the Chinese People's Construction Bank that in checking projects under construction, construction banks in various places found that when several departments and units arrange for basic construction projects, they one-sidedly stress their own needs without regard for cooperation and coordination with others, without consideration of fully tapping the present production potential of one's own department, area, or unit, and blindly pursue their own "self-sufficient" systems. Consequently, there is redundancy everywhere and the extent of redundant construction remains very serious.

An aircraft repair hangar of a Bureau of Civil Aviation Plant, a Beijing Underground Railroad vehicle repair plant, the Zhangchun Motor Vehicle Plant No 2 Foundry, two cement products plants in Shenyang, two turbine engineering projects of a machinery department for package engineering equipment in Touping, Shenyang, and the Baoding Prospecting Machinery Plant--are all redundant. As investigated and ascertained by concerned parties, if only cooperation can be strengthened and present productive potentials explored, the construction of these projects either will prove unnecessary or can be minimized, saving over 100 million yuan in investment.

The Bureau of Civil Aviation is constructing an aircraft hangar at the capital airport that is almost 10,000 square meters in size, at an investment of 4.25 million yuan. It will be completed for use next year. However, the bureau has also arranged for a plant to build another new aircraft repair hangar that has an area of over 20,000 square meters. When such integrated facilities as a runway, an aircraft parking area, and a boiler room are added, a total investment of over 2 million yuan will be required. According to the findings of concerned parties, the aircraft

repair hangar at the capital's airport will be able to satisfy the needs of present aircraft repairs. The new aircraft repair hangar and integrated facilities are unnecessary, and this investment can be saved.

The Beijing Underground Railroad is building an underground railroad vehicle repair plant in Qinghe. According to the plans, total investment is over 2 million yuan, with an area of 319 mu, a construction area of over 70,000 square meters, and 300 staff members. Preparations to construct this plant began in 1974, and work began in 1978. By the end of last year, a cumulative total of 2.55 million yuan of the investment had been spent; it is estimated that when the project is finished, the actual investment required will be 30 million yuan. However, according to the findings of concerned departments made during the construction of the Beijing Underground Railroad, an underground railroad machinery repair and integrated plant (subordinate to the Railroad Guards) had already been built and was responsible for the tasks of examining and repairing underground railroad vehicles as well as construction machinery. Since this plant has changed its subordinate relationship, it no longer has these tasks. Production tasks in the past 2 years were inadequate and profits decreased by 85 percent. If the large repair workshop for the underground railroad is started up again and it continues its examining and repairing tasks for underground railroad vehicles and construction machinery, construction of the Beijing Underground Railroad vehicle repair plant can be halted and a large amount of investment can be saved.

The Zhangchun No 1 Motor Vehicle Manufacturing Plant is preparing to build a new No 2 Branch Foundry. Plans call for a total investment of 50 million yuan and an annual casting production capacity of 42,000 metric tons. According to findings, the No 1 Branch Foundry subordinate to the Zhangchun Motor Vehicle Plant has a capacity of 65,000 metric tons. Not only can it satisfy motor vehicle group assembly needs, but it has capacity to spare. Even if motor vehicle production is further expanded, by making some investment in technological transformation at the No 1 Branch Foundry, production requirements can still be satisfied without having to construct the No 2 Branch Foundry at all.

Two cement plants are being constructed facing each other on a road in Shenyang's Hungqu Ward. One is a large wall panel plant and the other is a cement components plant. These two plants require a total investment of over 20 million yuan. Their construction has been independent of each other, resulting in a redundant construction area of over 7,600 square meters and a redundant investment of 4,94 million yuan. The wall panel plant has already been under construction on and off for 7 years because of insufficient investment. When work began on the components plant last year, investment was also insufficient. If they were constructed jointly, resources could be pooled, resulting in early completion and use, savings of 4 or 5 million yuan in investment, over 300 metric tons of steel materials, over 900 metric tons of cement, and over 200 cubic meters of timber, plus a reduction of more than 120 staff members.

Measures to halt or effect joint construction are now being adopted toward some of these redundant construction projects, while others are waiting to be dealt with. Concerned departments have proposed that early and resolute measures be taken to halt or to undertake joint construction immediately, in order to avoid creating greater waste.

9586
CSO: 4006

NEW HOUSING DESIGN IN BEIJING RECEIVES PRAISE

Beijing GUANGMING RIBAO in Chinese 6 Aug 80 p 1

[Report by Ma Yunong [7456 7183 6593]: "New Plan for an Economically Ideal Type of Housing Design Gains Popularity"]

[Text] A number of residents in Beijing Municipality will soon be able to move into an economically ideal type of apartment buildings. The design of this type of housing has a very great advantage. By decreasing the story height 20 centimeters, it can provide each household an expanded construction area of 2 square meters without having to increase housing construction costs.

On 7 July, the Beijing Municipal Construction Committee announced its decision to formally use the new plan of this type of multistory housing designed by the Beijing Architectural Design Institute as the common housing blueprint for 1980, and to put it to experimental use in Beijing. The announcement also demanded that in principle, a standard story height of 2.7 meters will henceforth be enforced in housing built in systems with concrete brick structures and large mould plates in Beijing.

Multistory housing in our country has an average story height of 2.9 meters. In summing up experiences at home and abroad last year, Design Office No 8 of the Beijing Architectural Design Institute proposed a new design, on the basis of a series of scientific research studies in housing design. The characteristics of the new proposal are that story height is suitable for reduction, and varying degrees of savings are possible in construction land utilization, investment, concrete, steel materials, clay bricks, and other materials. Thus, with the prerequisite of not increasing housing construction costs, it is possible to give each household an expanded 2 square meters of construction area. This kind of housing plan layout is more rational. Each household has its own living room, which can be used for dining, entertainment, and a temporary abode; effective living space is 5 to 10 percent higher than designs in general. Bathrooms are installed with toilet seats, small washbasins, and small fiberglass-reinforced plastic bathtubs (or shower facilities). Besides vegetable sinks, kitchens are installed with additional chopping tables, cabinets, hooks for cooking utensils, and mop basins. Lighting and ventilation have also undergone some improvement. To suit the needs of modern family life, the new plan also designs space for the installation of washing machines and freezers. In the past few months, a set of model apartments that reflect the result of this design have aroused the interest of personalities of various circles. Visitors come in an endless stream, numbering almost 10,000. This reporter has read many words of praise left behind by numerous visitors on suggestion forms at the model apartments.

The standard story height of multistory construction is a question much debated in architectural design circles. Having seen the model apartments of this new housing plan, some specialists have pointed out that the standard height of housing construction mainly reflects the area, fixtures, and internal decoration. Although housing standards in economically developed countries are high, their story height is but about 2.6 meters and the ceiling height is generally between 2.4 and 2.5 meters (not necessarily with ventilation facilities). In comparison, the standard story height of 2.9 meters throughout our country is obviously high. Even after it is reduced to 2.7 meters, the indoor ceiling height will still be 2.54 meters. After visiting the model apartments, many people feel that the worrisome and depressing problem of decreased story height has been solved.

As soon as the Ministry of Education and the People's Literary Publishing House and other units had learned that the new multistory housing plan had come into existence, they entrusted the Beijing Architectural Design Institute to do the design work. At present, a 3,785-square-meter residential building designed and built on this plan through the Ministry of Education has already been completed. This building has 66 apartments. There are 6 single-room units and 12 three-room units, with the remainder double-room units. Everyone has praised it, because the layout is more rational, usable space is larger than customary, and bathing facilities are available. According to the comrades of the Beijing Municipal Architectural Design Institute, the design of these two units is now being duplicated and used by many other units. On hearing the news, quite a few units from other parts of the country sent men and letters to seek purchase of the blueprints for the construction of this type of housing. As the design staff of this institute has indicated, this type of plan has problems that still need improvement and perfection. They are prepared to continue with research during the period of trial use, and to strive to design even more new housing plans that are better in richness and variety.

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CSO: 4006

SUGGESTIONS FOR SHANGHAI HOUSING CONSTRUCTION REPORTED

Shanghai WEN HUI BAO in Chinese 5 Jul 80 p 1

[Report by Sun Zhonglian [1327 0022 6647]: "Cadres of the Municipal Housing Main Corporation, Other Units, and Economic Theorists Make Recommendations for Accelerating Housing Construction in Shanghai"]

[Text] Housing construction is a major part of urban construction. How it can be accelerated in Shanghai is of great concern to all levels of municipal party organizations and the broad masses of people. This reporter has recently visited the Municipal Housing Main Corporation, the bureau of real property, and other concerned units. Many cadres, engineering technicians, and economic theorists have offered quite a few suggestions and ideas on problems such as Shanghai's system of housing construction, construction planning, and land requisition.

Implementation of Unified Management System Recommended

Ju Shijie [7263 0013 2638], assistant manager of the Municipal Housing Main Corporation, thinks that it is necessary to first make appropriate reforms in the housing construction management system in order to increase the pace of housing construction. Land requisition and the tearing down of buildings, surveying and designwork, construction, scientific research, and supply of materials are at present all done in an uncoordinated manner and without forming a unified whole. This is extremely unfavorable to housing construction work and can easily lead to each doing his own thing, lack of coordination, and disputes. He recommends reform of the system of contracts between two parties in present housing construction, giving all responsibilities for planning, geological survey, design, and construction to the Housing Main Corporation, unifying concerned units on the basis of economic benefits with mutual contracting, fulfilling economic responsibilities, allowing each other the freedom of choice, and promoting competition in order to obtain the best economic results. The Housing Main Corporation should be responsible for the whole course, from planning and design to the completion, delivery, and use of small housing areas, and should carry out package type of production. This will greatly reduce work links, increase efficiency, save manpower and materials, benefit the industrialization of housing construction and the commercialization of housing, and thus accelerate housing construction in Shanghai.

Provide Timely Help and Make Perfection Even More Perfect

Li Lizhong [2621 4539 0022], deputy chief of the municipal bureau of real property, believes that in the present extremely tight situation with housing resources, housing construction should emphasize building more housing rather than appearance. Especially with the remodeling of old buildings in the central areas of the city, if we arrange the spacing according to past housing practices and maintain a minimum distance of one to one between buildings, even after the completion of new housing it will usually be inadequate for settling displaced households. He feels that we should proceed from reality with the prerequisite of guaranteed lighting and ventilation, and suitably reduce the distance between buildings in order to increase the rate of land utilization. We can even increase the foundation depth of housing structures. At present, five-story housing has a foundation depth of about 9 meters. If it is increased by 1 meter, the construction area for each hectare of land can be increased by 800 square meters. If it is increased to 13 meters, each hectare can accommodate an additional 3,000 square meters of construction. In other words, on the same area of land, housing can be increased by about 20 percent. Transitional stages should be allowed for the reconstruction of unsafe buildings, which should not be treated mechanically by planning departments.

High-Rise Construction Unsuitable At Present

Qian Zuyan [6929 4371 7370], engineer of the Municipal Housing Construction Office, said that many comrades now suggest building more high-rise housing in Shanghai in order to solve some of the housing problems and to enliven the city's looks. Of course, construction of high-rise housing has the advantage of high land utilization, with each hectare constructing 24,000 square meters, 60 percent greater than five-story housing. However, the construction cycle of a 12-story high-rise at present takes twice as long. Construction would require 43 percent more steel, and the cost would be 54 percent higher. As the national economic capacity is limited, the masses in urgent need of housing should allow limited investment and materials to play a greater role. We should build more of the economical and practical five- or six-story housing. It is not practical to build high-rises. Besides, too many high-rise buildings might not necessarily be good looking for the city. Urban structures which have varying heights and are undulating and unevenly spaced are better looking.

Land Requisition Should Have Long-Term Planning

Chen Minzhi [7115 2404 0037], of the Shanghai College of Social Sciences, feels that an important factor in the slow housing construction in Shanghai is the lack of land for foundations. Judging from the reality of excessively high construction density and population density in Shanghai's urban areas, suburban land requisition is inevitable. He suggests that a realistic investigation and calculation should be conducted into the present condition of households that are facing housing problems in Shanghai, the minimum required and feasible amount of housing that can be constructed in 5 or 10 years, and the amount of land required. At the same time, proper plans should be made for the appropriate selection of unoccupied suburban land for housing construction, and all necessary preliminary work prior to construction should be done well. In this way, construction capacity will not be like the situation several years ago, when work was held up at the start of each year due to poor organization. Moreover, in this way the supply of construction materials, design work, and surveying will not be scheduled inefficiently, and construction speed will be greatly increased. When the housing problem is basically solved in a number of years, it will be possible to construct housing for displaced households and to transform the old city more rapidly.

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CSO: 4006

STATE COMMISSION ISSUES CONSTRUCTION SAFETY CIRCULAR

OW160923 Beijing XINHUA Domestic Service in Chinese 0739 GMT 15 Oct 80

[Text] Beijing, 15 Oct (XINHUA)--The State Capital Construction Commission recently issued a "Circular on Conscientiously Doing a Good Job of Construction in Winter." The circular called on all localities, departments and construction units to earnestly learn from the "Bohai No 2" accident and to take effective measures to prevent occurrence of major accidents during construction in winter.

The "circular" called on all construction units first to do a good job in making necessary preparations for construction work in winter. Before the arrival of winter, the broad masses of workers and staff must receive ideological and technical education to overcome attitudes of negligence and of leaving things to chance during construction in winter. The various systems of responsibility must be consolidated and perfected, and the operation procedures and related regulations for winter construction must be strictly adhered to. A good job must also be done with regard to weather forecasting and temperature recording. Necessary equipment and materials for the prevention of damage from cold temperatures and freezing must be well prepared. Work on prevention of fire, poisoning and explosions must be strengthened.

Conscientious inspection and maintenance must be carried out for builders' temporary sheds, living quarters for staff and workers, warehouses, messhalls, and water and electric supply facilities. At the same time, we must also conscientiously work out and implement technical measures for winter construction. Technical and organizational measures must be formulated for all winter construction projects by integrating the special characteristics of each project with its construction schedule. Such measures must be observed by every construction unit and by all workers. Special and effective measures must be adopted to insure complete safety in regard to those projects and sections in which safety is easily overlooked and accidents easily happen, as well as in those sections in which new technologies or new techniques are involved.

Regarding those construction projects that must be suspended or postponed, we must insure that the most important construction work is completed before the arrival of winter, and we must also do a good job in maintenance and prevention of damage from freezing. Moreover, we must conduct a comprehensive inspection and make arrangements for reliable safety measures on water supply lines, sewers,

large concrete tanks and storage rooms on which construction is completed. Similar inspection and arrangements must also be made for boilers, towers, jars, troughs and other equipment or vessels that have undergone pressure tests but are not ready for operation before the winter freeze.

The "circular" points out: In the event of major accidents in the future, the higher authorities must be speedily informed and immediate measures must be taken for properly handling the accidents. Responsibility must be pinned on those involved and they must be seriously handled.

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CONSTRUCTION COMPANIES FILL CONTRACTS IN FOREIGN COUNTRIES

Beijing CONGREN RIBAO in Chinese 28 Jul 80 p 1

[Article by Yu Yuefang [0205 2588 5364]: "The China Highway and Bridge Construction Company and the China Harbor Construction Company Actively Construction Work for Foreign Nations"]

[Text] The China Highway and Bridge Construction Company and the China Harbor Construction Company have actively begun to contract for foreign construction projects. They have increased the state's foreign exchange earnings and also strengthened friendly cooperation with foreign nations.

The China Highway and Bridge Construction Company was founded in February of last year, mainly engaged in contracting foreign projects to survey, design and build highways, city streets, bridges, tunnels, airfields and houses. For more than a year, this company contracted over 20 engineering projects in 11 nations and regions in Arabia, including the Yemen Republic and Iraq. Over 500 technicians and construction personnel were sent abroad. Eleven projects have been completed, including the Yemen Republic's palace aircraft hanger. After the completed projects were handed over, the users were satisifed. Recently, this company contracted and has begun to build the fourth bridge in the town of Mosuer in Iraq. In addition, cooperative construction contracts have been signed with over 30 nations, including France, Japan and Italy.

The China Harbor Construction Company was established in February of this year, mainly contracting work to study, survey test models, design and construct shipyards, inner harbors and dredging passages for ships. Since establishment of this company, it has already constructed a ship repair wharf and ship repair dock for 300,000-ton class vessels in Malta.

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CSO: 4006

BRIEFS

NEW OVERPASS IN EAST BEIJING--Beijing, October 15 (XINHUA)--A new overpass opened to traffic today in east Beijing. It is part of the number 2 city centre ring road, being built along the line of the old city wall and linking the city with the capital airport and the eastern suburbs. The overpass, one of six built so far on the ring road, is expected to carry 130,000 vehicles a day. Three more overpasses are under construction on the ring road which should be ready by the end of this year. The road will do much to relieve the traffic jams that have become a headache for Beijing Municipal authorities since the 1970's. The city's bicycles and motor vehicles have more than doubled since 1966 but only 19 kilometres of new highways were built between 1966 and 1975. The effect of this is most obvious in the central Changan Boulevard where driving speeds have been cut by traffic pressures from 50 kilometres per hour in the 1950's to 30 kilometres at present. The 100 kilometres of highways built since 1976 have only kept up with the growth of vehicular traffic. Among the other major road projects is an outer ring road on the outskirts of Beijing. The round-city subway, when completed, will follow the route of the No 2 ring road. Many old roads have been widened in recent years, including the south city's major Qiansanmen Street, which runs parallel to Changan, and two major streets running across them. With more than three million bicycles, the city has now provided bicycles lanes on most major roads. [OW151229 Beijing XINHUA in English 1216 GMT 15 Oct 80]

FIRST 60-CHANNEL CABLE--Jiangsu's first 60-channel, long-distance, lead-covered underground cable, running from Nanjing to Yangzhou, was completed and went into operation on 17 September. More than 70 kilometers long, this cable is a key link between Nanjing, Yangzhou, Nantong, and other counties and cities. The circuit capacity is now three times what it was before, making it much easier to handle the numerous long-distance calls. [Excerpt] [Nanjing XINHUA RIBAO in Chinese 18 Sep 80 p 1]

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PUBLICATIONS

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Beijing CONGREN RIBAO in Chinese 23 Jul 80 p 1, 2

[Article by Lu Yao [7120 6674]: "Start Out From the Practical To Explore the Chinese Way to Modernization"]

[Text] Our nation's economy is at a great turning point now. After 10 years of upheaval and after more than 3 years of hard work by the people of the entire nation, our nation's economy which had been sabotaged by Lin Biao and the "gang of four" and which had been near collapse has already begun to revive. Especially since the Third Plenary Session of the 11th Party Central Committee, as the work emphasis shifted, the Party Central Committee established the policy to readjust, restructure, consolidate, and improve based on the spirit of seeking the truth from facts. Implementation of this policy has brought about even more obvious results in the revival and development of our nation's economy. Yet the task facing us is very difficult and complicated, and we have many more things to do: We must be firm in the policy of readjustment. We must restructure the economic system. We must implement of liberalize the party's economic policy. We must establish long-term plans for economic development. In such a big country as China, how the four modernizations can be realized is a question at present that is being studied and explored by the economists and the theorists, and it is a question that the people of the entire nation are concerned about and thinking about. Everyone is exerting efforts to seek a road to modernization that suits China's actualities. All people of the nation hope that our nation's economy can develop persistently and stably over a long period, and they hope to achieve the greatest economic results with the minimum of investment and minimum amount of labor. Wavering and going back and forth must not continue. They hope that losses and accumulation in the hundreds of billion yuan created by mistakes in policy will never happen again. For this, we must seek truth from facts, conscientiously summarize the experience and lessons in economic work of the past 30 years. We must continuously study the new situations and new problems that emerge from our work, liberate ideology, think, propose various kinds of different opinions and different plans, engage in discussion, analysis and comparison, and find the road to modernization that suits our nation's unique characteristics.

(I)

Looking back at the course of development of our nation's economy over the past 30 years, a fundamental experience and lesson has been the failur to persist along the principle of the ideological line of materialism seeking truths from facts and to always start out from pragmatism. Comrade Mao Zedong said in 1957: When we do things and when we consider problems, we must start out from the fact that our nation has 600 million people. This point must never be forgotten. But sometimes, we violated this principle and the national economy was hindered. After our nation's people began the new long march, the leading comrades of the Party Central Committee quickly proposed the question concerning the Chinese way to modernization. We are carrying out the four modernizations, and it must start out from the actual situation in our nation. China's conditions and possible questions to be taken into consideration must be used as the starting point and the basis before the best choice can be made. Then, what is the actual situation in our nation? We have carried out economic construction for 30 years. Can we say that we have thoroughly grasped every effort? It is difficult to say.

For example, everyone says frequently that our nation is a big nation. Our nation has 960 square kilometers of territory, a population of over 900 million, and of course it is a big nation. Some small nations that modernize can only afford to carry out one or two projects. We can do it completely. We can concentrate the forces to carry out rather huge projects. But a big nation also has its problems. Our nation's territory is wide, the level of productivity is not high, economic development is extremely imbalanced, and thus modernization cannot be overly centralized and all at once. In the past, there were plans to divide the nation into six large regions according to administrative regions, but they seemed impractical. In the system of economic management, efforts circled around the question of concentration or dispersion over the past 30 years. Too much concentration was counter balanced by dispersion and over dispersion was counter balanced by more concentration, thus going around in circles without grasping the key. Also, losses were great each time efforts were exerted to concentrate or disperse the economy. As a big nation, an economic system that is independent and relatively complete must be established. But later development demanded that every province and even every county had to establish a complete economic system. This digressed from the actual situation. Now it seems that the advantages must be developed and the shortcomings must be avoided to develop the superiority of each region, and within the entire nation, mutual communication should be established between the haves and the have nots. At the same time, the authority of the enterprises should be expanded and basic level work should be intensified.

Our nation is a big nation and also a nation with a weak foundation. After Liberation, our nation's economic construction achieved great results. We established an independent and relatively complete industrial system and a national economic system. Many new industrial departments developed. A

large group of new industrial bases and a series of departments of new sciences and technologies were built. But our nation at present is still not rich and strong. Annual national per capita income average only over U.S.$200. The national income the state can collect and concentrate for use is also very limited. The long-term sabotage by Lin Biao and the "gang of four" has caused us to suffer great loss. Our own mistakes in work including the mistakes made during the great leap forward and the Cultural Revolution are also a reason that has caused the persistent poverty today. After smashing the "gang of four," our line of economic development has been correct, but there are still overly enthusiastic demands. That is because we have not fully understood the weakness of our nation's foundation and the degree of severity of the destruction of the economy during the 10 years of upheavals, and we did not measure our own strength when acting.

Our nation is a nation with very rich resources, and our manpower resources and natural resources are also rich. But it must also be realized that even though the natural resources are rich, our nation has a large population. When we consider the per capita average, then the resources are not that plentiful. Of course, there are still a lot of natural resources in our nation that have not been discovered. But the still unexplored resources cannot be used as the basis for establishing plans for economic development. Even those resources that have already been explored must be exploited, and time is needed. Also the possibility must be taken into consideration that some construction projects will be out of reach for our nation's resources and financial abilities.

The development of various regions of our nation is very uneven. It is uneven economically and culturally. The development in any nation is uneven, but the uneven development in our nation is more outstanding. The levels of development of the advanced regions and the backward regions differ even by several centuries. Therefore we must self consciously recognize this imbalance. In some economic policies, things cannot be done in one thrust. Some regions should be allowed to become rich first. This is an objective necessity, not a question of subjectively allowing or not allowing such development. To insist on a balanced development throughout the nation and to insist on such a balance will not achieve the goal of balanced development and will further slow down economic development.

Our nation is also a country where commercial economy is very underdeveloped. Because our nation has transformed itself from a semi-colonial territory to a semi-feudal society and then towards socialism via democratic revolution, it basically has not gone through the stage of capitalism, therefore division of labor in society is not developed and the influence of natural economy is more profound. For example, the population in our nation's farm villages constitutes over 80 percent of the total population. Farm village economies are mostly self sufficient economies, and the proportion of commercial products is very low. Coordination of specialization among industrial departments is also not developed. Exactly because the economy of commercial products is not developed, and in addition to the traditional concepts of feudalism that have lasted for several thousand years, the habit and trend of small-scale production are deeply rooted, their influence is vast. This is reflected in our system and work.

Whether the actual situation in our nation generally speaking is as described above we are still not completely clear and continued study is needed.

(II)

What are the questions that require our exploration and attention according to the actual situation in our nation and based on a summary of 30 years of experience and lessons?

First, we must find a rational rate of accumulation and a stable rate of growth

For a long time, we have suffered enough in seeking a high rate of accumulation, high speed and lofty goals in economic work. Some comrades always hope that our nation's socialist construction can be carried out faster. This kind of subjective wish is good, but how the rate of accumulation should be and at how fast a speed are not determined by our subjective wish but are determined by objective actuality.

Viewing the history of the past 30 years of our nation, our rate of accumulation averaged 24.2 percent during the First Five-Year Plan. During this period, the state carried out 156 key projects of industrial construction. The economy also developed rapidly. The standard of living of the people also rose remarkably. During the Second Five-Year Plan, the annual average rate of accumulation reached 30.8 percent, and fluctuations were great. During the first 3 years it reached above 33 percent, but during the last 2 years it had to drop. During the 5 years, increases in production were small. The standard of living of the people did not rise, but fell. During the period of adjustment from 1963 to 1965, the rate of accumulation dropped to 22.7 percent. Production revived and development was relatively fast. The standard of living of the people showed definite improvement. During the Third and Fourth Five-Year Plans, i.e., during the period of the Cultural Revolution, the rate of accumulation continued for many years at above 30 percent because of the implementation of the extreme leftist line of Lin Biao and the "gang of four." Each individual year showed a rise of over 40 percent, but the speed of economic development was not fast and the standard of living of the people scarcely improved. After the "gang of four" collapsed, the party and the state did pay attention to improving the livelihood of the people, but because the rate of accumulation was still very high, a serious imbalance in the proportion of each department of the national economy resulted. The growth in production was only close to or slightly higher than that during the First Five-Year Plan. These situations in which there is a high rate of accumulation does not necessarily mean a fast development in producttion. Conversely, when the accumulation is not very high, the speed of economic development is fast.

Why is it that when the rate of accumulation is overly high the rate of development of production is slow? The reasons are many. The major reason is that an overly high rate of accumulation squeezes the consumption of the masses of people and deters the enthusiasm of the masses. In addition, when

the rate of accumulation is overly high, the scale of basic construction is too large, the balance between materials and capital cannot be assured, the construction cycle of new enterprises is delayed, the needed normal ratio of economic development is disturbed. This not only hinders a good realization of the expansion of reproduction but also frequently creates serious waste.

After summarizing the 30 years of experience and lessons, some comrades proposed to stabilize the rate of accumulation at 25 percent under normal conditions. It seems that this level is rather appropriate. But bringing down the rate of accumulation has to run its course.

The history of the past 30 years also shows that blindly seeking high speed and lofty goals necessarily creates big fluctuations in the economy and losses are great. This is because pursuing lofty goals regardless of actual conditions will necessarily involve shoving tasks down to the lower echelons and applying pressure for creating high production values, forcing everyone to exert physical strength, use facilities and equipment, eat up savings and reserves, see only what is in front and disregard the future. Preparation and logistic support for production are not carried out. Or else, all efforts are spent seeking higher values of production and disregarding quality and variety, or engaging in fraud and formalism. As a result, advances seemed to have been made on the surface but finally they will drop down. In this way, each digression and return wastes a lot of time and the losses are too great. Recuperation from the great leap forward in 1958 was still not complete even in 1966. This was a very vivid experience and lesson of many years.

Therefore, we not only hope for a stable political situation but also hope for a relatively stable economic situation, which requires a stable rate of growth. We had rather have a slower growth than digressions. It is impossible to draw up plans that are absolutely accurate. There are many factors that cannot be estimated. Therefore, leeway must be allowed. Maximum calculations cannot be allowed. Facts prove that leaving gaps is an unacceptable way. When slow growth is discovered in actual work, catching up is possible. In this way, the losses are smaller. Everyone will be happy when a five-year plan is completed in 4 years.

How fast the rate of our economic growth should suitably be has to be calculated, and it may also be discussed. Even if our economic growth is only 5 percent a year, it is not low in the world. In general, there must be a stable rate of growth so that the people of the entire nation and the party know where it stands and everyone knows how work is to be arranged. Basic construction will not fluctuate between highs and lows. Everyone can spend a lot of energy on improving work. Reformation of the economic system can also be considered on this basis.

Second, the people's livelihood must improve year after year

In the past year, economists and theorists discussed the question regarding the purpose of socialist production. Many comrades have expressed very

good opinions. The purpose of socialist production is to satisfy to the greatest extent the ever increasing material and cultural needs of the people and masses. Development of production and improvement of livelihood should be unified, and the purpose and the means should be unified. But, in this respect, in the past we have had some problems whether theoretical or practical, that have not yet been solved, such as the relationship between accumulation and consumption, the relationship between "bones" and meat," etc. Some people do not admit the existence of the problem of "production for the sake of production." But in actual work this has not been completedly solved. Therefore it is beneficial to discuss it calmly.

Undoubtedly, the people's livelihood can be improved only on the basis of developing production. It is impractical and impossible to talk about improving people's livelihood separately from development of production. But, we must insist that while developing production, the people's livelihood should improve year after year. When we draw up plans, there must be a planned goal for growth in production and also planned goals for growth in the standard of living, and efforts should be made to realize them on an overall basis. The people and masses must be made to experience personally and see the uniformity of the benefits of the state, the benefits of the collective and the benefits of the individual, thus mobilizing the enthusiasm to do production work well.

In the relationship between production and consumption, some comrades frequently emphasize production and neglect consumption. Theoretically speaking, reproduction in society requires resources for production as well as resources for living that can sustain the labor force for reproduction. If reproduction is expanded, more resources for production must be added and more resources for living must be added in a similar fashion. Only in this way can the labor force and resources for production be united to realize actual production. But some comrades only know that consumption of resources for production is called production but regard consumption by the laborers as a "livelihood problem" that seemingly is unrelated to production. Actually, laborers must consume a definite amount of material resources for reproducing their own labor force. This is an important condition necessary for social reproduction. During the course of social reproduction, consumption of resources for production and spending of labor force are not differentiated as to which is first and which is last, which is more important and which is less important. We also say often that production determines consumption. This shows that in the total process of social reproduction, of the links among production, distribution, market flow and consumption, the one that exerts the decisive function is production. But we often neglect another reason. That is, consumption can also actively react upon production. First, the final completion of products is consumption. A product, when it is not consumed due to various causes, is still not an actual product. Only when consumption is realized will the entire process of reproduction be finally complete, and a new production process can begin again. Second, the elevation in the level of consumption can create new needs of production, and thus stimulate development of production. Therefore Marx had a famous saying: "Without production, there is no consumption, but without consumption, there is also no production, because if this is so, production will have no purpose."

In the past, we owed a lot to the people's livelihood. At present, the nation's material resources and financial resources are limited. After smashing the "gang of four," the state has exerted its greatest efforts in improving the livelihood of the people and the masses. There are still some problems regarding livelihood that can only be solved gradually. Demands must not be overly high and overly swift. We must extol endurance of hardships and the pioneering spirit. First, our party members, cadres and especially high ranking cadres must take the lead. We must oppose privileged treatment, and we must stop all kinds of waste. If our actual situation is told to the broad people and masses, if party members and cadres take the lead to struggle and endure hardships, if blind digressions are not continued in economic work, if blind commands are not continued, if the people's livelihood can be improved year after year on the basis of developing production, then the masses will further strengthen their faith in our endeavors. Even though some livelihood problems cannot be solved immediately, they will understand.

Third, in the ownership of resources for production, many forms should be used, "doing things in one thrust" must not be carried out

The ownership of resources for production is the heart of the Marxist school of political economics. Whether it is implemented well or not greatly affects the production of the society. In the past, we have confronted many difficulties in production and they were all related to the overly swift change in the system of ownership. The many problems that exist in our economy today are all rooted in common in the problem of ownership. Some comrades say the true nature of economic reform is the adjustment of the ownership system. This statement is not without reason. Take the farm villages for example, why have some places respected the autonomy of the production teams and implemented the responsibility system of linking the amount of production to rewards, liberalized economic policy, revived private plots, private domesticated animals, private trees, and allowed contract work and given production contracts to groups, and even were able to contract families that were isolated in remote localities for production work, thus enlivening the farm village economy rapidly? The root cause is that these adjustments enable the productive relationships to better suit the level of productive forces. The same is true when we talk about towns and cities. Why is it that some localities implemented independent accounting on a trial basis in the collective ownership system, a system of responsibility for shouldering losses and profits by themselves, and allowed individual industrial and commercial enterprises to exist, and thus these economies rapidly developed? Is this also because of the question of ownership?

Of course, we must insist on upholding the socialist public ownership system. Lenin said, socialism is "public ownership of productive resources and distribution of labor." Since we want to practice socialism, we must insist on public ownership of productive resources. But, we must not conclude from this that the "greater" the scope of ownership the better and the more "public" the better. We must see if the ownership system is superior or not by seeking the truth from facts and taking into consideration

the conditions of the productive forces of different regions and different sectors of our nation. If it coincides with the need of productive forces, benefits the elevation of the rate of productive labor, develops the maximum economic effects, then it is superior. otherwise it is not superior. Talking about "being large in size and collective in nature" separately from the level of the productive forces is impractical day dreaming.

Generally speaking since our nation's level of productive forces is extremely uneven, during a relatively long period, several different ownership systems will necessarily exist simultaneously. Of course the major portion is still ownership by the whole people and collective ownership by the laboring masses. Under the situation in which socialist public ownership is in an absolutely superior position, can a little bit of individual economy be practiced? It seems that this cannot be avoided, and it is beneficial to socialism. This is because today our state-run economy and collective economy cannot yet take care of many of the problems in the people's economic life. At the same time, some things are suited for individual operation, like repairing shoes and pots, selling tea and drinks, transporting small loads and giving haircuts. Is it not more versatile to allow these to be operated individually so that the needs of the people can be better satisfied? Also, what evil is there in allowing retired teachers and doctors to open up their own supplementary classes for students or their own clinics? In the past, some people were afraid to allow individual industrial and commercial enterprises to exist for fear that capitalism might develop. Actually, under a situation in which socialist economy is in an absolutely superior position, we have all the conditions to exert control. Engaging in speculation and profiteering may exist, but why can we not strengthen control? Some people accuse others of engaging in capitalism as soon as they see that the others have earned some money as individual industrial and commercial enterpreneurs and have excelled. They have absolutely no grounds to make such accusations. It should be said that as long as it is income earned from one's work, as long as it is not from exploiting others, it is not capitalism, and it should be allowed and should be protected.

Marxism tells us: The productive relationship must adapt to the level of the development of productive forces. Because the productive forces of the present stage in our nation are still very backward, there are very vast differences and they are extremly uneven, therefore, regardless of area, regardless of sectors, regardless of enterprises, and regardless of professions, to establish a single or a kind of model socialist ownership system is not possible. An ownership structure that can adapt to multiple levels of productive forces and in which the socialist public ownership system occupies a superior position should be established. Many types of economic elements should be allowed to exist, and a variety and multitude of forms of management must be used. In this way, the development of production, satisfying the needs of the people's livelihood and solving unemployment and increasing accumulation may benefit even more.

Fourth, develop the relationships of a socialist commercial economy to enliven the entire national economy

We have mentioned earlier that the commercial economic relationship during the present stage in our nation is very underdeveloped. This is not only manifested by a very low proportion of commercial products produced by the communes and brigades in farm villages, and at many places, many enterprises like to "be large and provide full lines of products" and "small and complete" in product lines and form their own system. More important is that for a very long period, we have not regarded resources for production as commercial products. They are not allowed in the market. In this way, the flow of products is actually stopped and production and need cannot be matched directly. As a result, frequently there is accumulation of products on one end, and on the other end the units that need the products cannot purchase those products. For example, steel materials and machinery and electrical products have remained in this situation for long periods. Because of the accumulation of products, floating capital accumulates within the floating market. This is a kind of unnecessary accumulation. If this problem can be handled well by us, then a large sum of capital can be conserved in the floating market and it can be used in production and construction. This is a source of capital for our construction. There is a possibility of seeking a way out for lowering the ratio of accumulation.

In the past, some resources for production were in shortage. Except for a few products such as logs, much of this shortage has been created by man. Because people fear they won't be able to buy it, they buy a lot and put it in storage. Beginning from last year, some departments and localities channeled resources for production into the market, and experimented with regulation by the market under the guidance of planning. Good results have been achieved. In the future, it may be possible to classify resources for production into three categories like the resources for living: one category would include commercial products for unified distribution. The second category would include commercial products which the state has the priority to order and purchase, and the remaining portion would include commercial products that are allowed to circulate freely in the market. The third category would include commercial products that are allowed to circulate in the market freely. This is beneficial to enlivening circulation and stimulating production.

Allowing resources for production to flow into the market is a vast reform. It involves many problems, such as whether the prices can be floated or not. Do the enterprises have the right to establish fixed prices? If these problems are not solved, appropriate competition among the enterprises will not exist. Of course, to solve these problems requires time and a clear theoretical understanding of why the products being exchanged among enterprises under the system of ownership by the whole people are considered as commercial products. In practice, this must be carefully implemented.

Fifth, a relatively large-scale renovation of facilities and equipment of present enterprises must be carried out

Everybody knows our nation has already established 400,000 enterprises that work for and hand over their products to the state (not including commune and brigade enterprises). Most of these enterprises have been established by ourselves after Liberation. They are important material foundations and starting points for our new long march forward. But much of the technology and facilities of these enterprises are already out-dated and old. Some even have facilities of the 1920's and 1930's. They not only hinder increases in production and raising of the quality, they also expend a lot of energy. Looking at the future, solving the energy problem requires actively developing new energy sources, building hydroelectric stations, building new mines and wells, and new oil fields. But opening up new energy sources requires a relatively long period. In the coming few years, emphasis should be placed on conservation of energy sources. Compared to foreign nations, our consumption of energy is about the same as that in Japan, but the total value of our industrial production is far less than Japan. This shows our potential for energy conservation is very great. How can this potential be exploited? One important direction is to develop technological reforms and renovation of facilities centered around conservation of energy so that our machinery and facilities can all become advanced facilities that conserve energy. In this way, a greater increase in production can be realized by using a relatively limited amount of energy. A lesser number of new plants can be built and massive investments and materials for basic construction can be conserved.

Renovation of facilities is not an easy task. It involves the direction of our investment. This means, we must not continue to place emphasis on expanding the scale of basic construction and solely on building new plants, but we must place emphasis on digging for the potential of existing enterprises, renovation and reform. This also should include funds prepared by the enterprises themselves. Persisting in this way for another 8 or 10 years or even a longer time to rebuild old enterprises and provide them with new faces will eventually raise our productive capabilities greatly, is this not true? Therefore, this is also an imporant decision worth our profound exploration.

In the above, we have only mentioned some questions that require attention concerning economic construction and especially in drawing up long-term plans. There are still many questions that require actual exploration. There are still some other even more important questions which have not been mentioned here. The discussion of the questions mentioned above is far from complete, and there may even be some mistakes. The purpose of this article is not an overall description of the principles that should be followed by our nation in realizing the four modernizations but only a presentation of some immature points of view during the current discussions among the economists and theorists. We hope that comrades who are engaged in actual work in the financial, commerical, industrial and communications front would learn, think and explore these questions like the comrades of the circle of theorists. As long as we persist in upholding the party's ideological line, persist in upholding the search for truth from facts, start out from actuality, establish the habit of learning, the habit of thinking about the questions, the habit of investigating and studying the habit of discussing the problems on an equal footing, we believe a road to modernization suited to our nation's characteristics can definitely be found, and we can victoriously achieve our goals.

PRC JOURNAL REEXAMINES LIU SHAOQI'S POLITICAL REPORT

HK150821 Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 80 pp 3-7

[Article by Liu Xun [0491 1789]: "Persist in Shifting the Focus of the Work of the Party and Correctly Guide China's Socialist Construction--A New Study of the Political Report Made by Comrade Liu Shaoqi at the Eighth Congress of the Chinese Communist Party"]

[Text] The political report (hereinafter referred to as the "report") made by Comrade Liu Shaoqi on behalf of the party Central Committee and approved unanimously by the Eighth CCP Congress 24 years ago was a Marxist-Leninist document having important historical significance. It scientifically analyzed the changes within the social class relationships and the situation of class struggle after the basic completion of socialist reform, put forward the main task of the socialist construction period, fixed the line, principle and policy for the struggle of the party in order to realize its task and pointed out clearly the direction of progress to the people of the whole country. For a long time, however, this historical document was maliciously attacked and trampled upon at will by the band of Lin Biao, the gang of four and Kang Sheng under the charges of "revisionism," "anti-Mao Zedong Thought," "the theory of the dying out of class struggle, "the theory of putting productive forces before everything" and so on. However, the truth outlives all lies; the positive and negative experiences of the 20 odd years since the Eighth Congress have proved that the basic content of the "report" is correct and still has important, guiding significance to date on the cause of China's socialist construction and modernization.

The Historical Inevitability of Shifting the Party's Work Focus

The key question discussed in the "report" was that the party must shift its focus of work in time to economic construction and concentrate strength on developing the productive forces of society after the socialist reform in China of the ownership of means of production has basically been completed. The "report" pointed out: "The present task of our party is to build our country into a great socialist state as soon as possible by relying on the several hundred million working people who have been liberated and organized, uniting all forces that can be united within and without the country as well as fully utilizing all the conditions which are favourable to us." (From the political report delivered by Comrade Liu Shaoqi at the Eighth CCP Congress. Ibid for other unannotated quotes in the following text.)

This great historical task was discussed by scientifically analyzing the objective situation at that time. It concentratedly represented the fundamental interests of all people in the country and fully reflected their strong desire. The "report"

pointed out: "Our motherland has undergone two great historical changes of world significance during the 11 years" since the Seventh CCP Congress, namely that the proletariat of our country has seized political power through the victory of the democratic revolution of the people under the correct guidance of our party and, with the help of this political power, achieved basic victory in the socialist reform of the ownership of the means of production. "Because of these two victories, a series of basic changes have occurred in both the internal and external relations of our country." In mentioning basic changes, it mainly meant that changes had occurred in class relationships and the main social contradictions. We had not only driven out imperialism, eliminated the class of feudal landlords and abolished the political and economic systems of the class of bureaucratic capitalists from the mainland, but had also reformed by peaceful means the exploitation system of the class of national capitalists and guided the several hundred million peasants and handicraft workers onto the road of socialist collectivization. Besides, the working class had become the leading class of the state, the working class and the peasants had united into a solid alliance on the basis of socialist collectivism and the elements of the exploitative class in the past were gradually being remolded into new elements through labor. Hence, the main task of socialist revolution, namely "the extremely complicated and arduous historical task of converting private ownership of the means of production into socialist collectivism, has now been basically completed in our country." Therefore, the progress of revolution had put forward a new historical task to our party, that was to speedily develop the productive forces of society with the help of the socialist system. Marxism told us: the basic aim of eliminating private ownership and establishing socialist collectivism is to develop productive forces so that every member of society can lead a happy and decent life. If our party does not make the development of productive forces our main task after the creation of the socialist economic system, then no practical benefits can be brought about for the working people nor can the aim of liberating the economy for the working people be achieved; then such a new system cannot be consolidated and developed and will even be unable to last long. This is an objective law of historical development. Lenin said: "In any socialist revolution, after the task of seizing political power by the proletariat has been settled and with the task of expropriating the expropriators and suppressing their resistance has been generally and basically solved, it is absolutely necessary to put as a top priority the fundamental task of creating a socioeconomic system better than the capitalist society; this fundamental task is to improve the labor productivity." ("Complete Works of Lenin," "Current Tasks of the Soviet Regime," vol 27, p 235) This is entirely correct. Only by creating higher labor productivity than that of capitalism can the final victory of socialism over capitalism be guaranteed. This was especially the case of China where the victory of socialist revolution was obtained not under the condition of a well developed capitalist economy but under semicolonial and semifeudal social conditions and therefore a strong and modernized industrial foundation was nonexistent when we established the socialist collective system. This then determined the special importance and urgency of the task of developing productive forces after the victory of socialist revolution. Besides, the task of expropirating the expropriators and suppressing their resistance was generally and basically settled by us in 1956. This therefore made it necessary to put as a top priority the development of productive forces. It was precisely in accordance with the general truth of Marxism-Leninism and the actual conditions of China's revolution that Comrade Liu Shaoqi put forth on behalf of the party Central Committee this thesis: "During the time of the revolutionary wars and at the initial period of nationwide liberation," "the main task of struggle was to liberate the

people from the reactionary rule and to liberate productive forces of society from the restraint of the old productive relations." "Now, the stormy period of revolution has passed while the new productive relations have been established, the task of struggle has changed to protecting the smooth development of productive forces of society."

On behalf of the party Central Committee, Comrade Liu Shaoqi raised to the whole party the call of concentrating efforts to lead people of the whole country to struggle for the development of socialist economy; this was by no means an act of "revisionism" or "anti-Mao Zedong thoughts," but was precisely an act of upholding Marxism-Leninism and Mao Zedong's thought. People are quite aware that as early as the initial period after the founding of the People's Republic, especially after the socialist reform was basically completed Comrade Mao Zedong repeatedly pointed out the need to shift the centre of the party's work to the areas of socialist construction and technological revolution. He also said in the opening speech at the Eighth CCP Congress: "During the 11 years since the Seventh Congress, we have thoroughly completed the bourgeois democratic revolution and achieved the decisive victory of the socialist revolution in a big country having vast territory, a large population and complicated situations"; "We are now also facing roughly the same task as the one during the initial period after the founding of the Soviet Union. We have to convert the backward and agrarian China into an advanced and industrialized China." (Mao Zedong: "Opening Speech at the 8th CCP Congress" in "Documents of the 8th CCP Congress," pp 7-9) On 27 February 1957, Comrade Mao Zedong reiterated at the supreme state affairs conference: "The present situation is that the extensive and stormy class struggle of the masses during the revolutionary period has basically come to an end, but class struggle per se has not completely come to an end"; "Our basic task has changed from that of liberating productive forces to protecting and developing productive forces under the new production relations." ("Selected Works of Mao Zedong," "On the Problem of Correctly Handling Contradictions Among the People," vol 5, pp 375, 377) This means: The proposal in the "report" that after the socialist reform of our country has basically been completed, the focus of the work of the party should be shifted to the construction of socialist economy was completely identical to the proposal made by Comrade Mao Zedong. The band of Lin Biao, the gang of four and Kang Sheng ignored the historical facts and employed despicable fabrications against Comrade Liu Shaoqi; but this proved to the contrary that it was they themselves, not Comrade Liu Shaoqi, who were against Marxism-Leninism and Mao Zedong Thought.

Class Struggle Must Serve Economic Construction

The band of Lin Biao, the gang of four and Kang Sheng vilified that Comrade Liu Shaoqi "advocates the theory of the dying out of class struggle" in the "report." In fact, Comrade Liu Shaoqi unambiguously pointed out in the "report" that although the socialist reform has basically been completed, "this does not meant that all our tasks in respect to socialist reform have been completed"; and "before the socialist reform is completed, class struggle is still going to exist. After socialist reform has been completed, the struggle between the socialist and capitalist stands, viewpoints and methods will still go on for a very long period." At the same time, he emphatically pointed out that in the future "our major method for carrying out this kind of struggle is by means of persuasion and education; the method of compulsory reform will only be instituted where necessary against those individuals who hold an antagonistic attitude against socialism and violate the laws of the state."

Besides, he stressed the importance of establishing a complete legal system in the face of the new tasks of struggle.

The proposal put forward by Comrade Liu Shaoqi at the "eighth congress" was essentially to make a down-to-earth assessment of the new situation of the class struggle, to carry out class struggle in a correct manner and to persist in guarding against the right as well as the "left." It also maintained that after establishing the socialist economic system, class struggle must serve the key task of socialist economic construction. Comrade Liu Shaoqi said: "The key task of our party and people of the whole country at present is to strive for overfulfilling targets of the First Five-Year Plan and enthusiastically prepare for the Second Five-Year Plan." However, the counterrevolutionaries want to destroy our country, sabotage our construction and jeopardize the people's safety; therefore, our state organs must suppress and wipe out the counterrevolutionaries." "In order to consolidate our democratic dictatorship of the proletariat to protect the discipline of socialist construction and safeguard democratic rights of the people as well as to punish counterrevolutionaries and other criminals, we must make it one of our urgent tasks in the current work of the country to start drawing up better laws in a systematic manner and improve our country's legal system. This then clearly explained the correct relationship that class struggle under the dictatorship of the proletariat must serve economic construction.

It was undoubtedly correct that before the proletariat of our country seized political power, the key task of revolution was to seize political power by armed force and that all other work was to serve this key task. It was also undoubtedly correct that after the proletariat of our country had seized power, especially after the system of socialist collectivism had basically been established, all other work must serve the key task of socialist economic construction and class struggle must serve the fight for production. However, it was completely wrong to depart from socialist economic construction for the sake of carrying on class struggle. Comrade Mao Zedong made statements to this effect as early as the second plenary session of the seventh CCP Central Committee: "From the first day we took control of the city, we have to set our eyes on restoring and developing the production of this city." "Other work in the city, such as organizing the work of the party, work of government departments, work of trade unions, work of various types of public bodies, work in the cultural and educational aspects, the work of eliminating counterrevolutionaries as well as work of news agencies, newspapers and radio broadcasting stations are all centered around and serve this key task of production and construction." ("Selected Works of Mao Zedong," "The Report at the Second Plenary Session of the Seventh CCP Central Committee," vol 4, p 1366) It would be a statement of fact to say that before 1956 the party was still unable to fully achieve this. That was because at the initial period after the liberation, the party had to concentrate its strength on first establishing and consolidating throughout the country the dictatorship of the proletariate to wiping out remnant forces of the counterevolutionaries, to implementing land reform, to fighting the war to resist U.S. aggression and aid Korea, to implementing socialist reform on agriculture, handicraft industries and capitalist industries, commerce and so on. But after 1956, when the above tasks were basically completed, it was possible to put socialist construction at top priority. It was precisely under such a historical condition that Comrade Liu Shaoqi upheld Comrade Mao Zedong's principle on correctly dealing with the relationship between class struggle and the key task of economic construction. While recognizing that class struggle

still existed and criticizing the viewpoint of the dying out of class struggle, he also pointed out the need to prevent class struggle from being magnified. He said: "It has been demonstrated by facts that on the one hand counterrevolutionaries do exist and any thought that we can relax our vigilance is totally wrong, while on the other hand counterrevolutionaries can be wiped out provided that our policies are correct and therefore any thoughts that counterrevolutionary activities are getting more and more serious is also groundless." That was a correct assessment made by our party at that time on the status of class struggle within the country. Although various changes in the situation have occurred within the country since the "eighth congress," there have basically been no grounds for negating the scientific analysis made by Comrade Liu Shaoqi on class struggle. To negate this analysis and exaggerate the gravity of class struggle would lead to the serious consequences of magnifying the class struggle and jeopardizing the socialist economic construction. This has been proved by practice. During the 10-year havoc, in particular, for the sake of forming a gang to pursue selfish interests, usurp the party leadership and seize state power, the band of Lin Biao, the gang of four and Kang Sheng even furiously magnified class struggle, confused the enemies with ourselves, engineered thousands of wronged, fabricated and mishandled cases, attacked and oppressed the broad realm of cadres and masses and sabotaged all work of production and construction, pushing the national economy to the brink of collapse; thus making it even impossible for our party to talk about shifting the focus of work to economic construction.

For exactly 20 years from the 8th CCP congress in 1956 to the complete collapse of the gang of four in 1976, various twists and turns occurred in our cause of socialist economic construction; one of the basic reasons was the violation of the resolutions of the "eighth congress" by wrongly assessing the situation of class struggle within the country after 1956, not having been able to correctly handle the relationship between class struggle and economic construction and not having shifted the focus of the work of the party to economic construction. This is a historical lesson we must learn.

Not Sukhanov's Doctrine, But Leninism

In order to oppose shifting the party's focus of work and stick to the ultraleftist line of magnifying class struggle, Kang Sheng, the adviser to Lin Biao and the gang of four, fabricated for ulterior motives a charge of "Sukhanov's doctrine" against Comrade Liu Shaoqi, saying something like: "Liu Shaoqi had his revisionist 'theoretical' basis when he persisted in taking the capitalist road." And that was "the theory of putting productive forces before everything" which "came down in one continuous line as the old-line revisionism." (The so-called "theory of putting productive forces before everything" of the old-line revisionism should be called "the Philistine theory of productive forces.") He also asked people to read "On Russia's Revolution"--a critique on Sukhanov written by Lenin in 1923--and tried to use the classics to find a "theoretical" basis for attacking Comrade Liu Shaoqi; but this was completely futile.

Lenin's "On Russia's Revolution" does indeed relentlessly criticize Sukhanov, the Russian Menshevik, for holding on to the "infallible law" of the revisionism of the Second International--"the productive forces of Russia have not yet developed to a level high enough for effecting socialism"--and opposing Bol'sheviks' bid to seize power. Lenin wrote: "Why can't we first obtain by revolutionary means the preconditions for reaching this particular level and then catch up with the people of

other countries on the basis of an industrial and agricultural regime and the Soviet system"? ("Selected Works of Lenin," "On Russia's Revolution," vol 4, p 691) Lenin's criticism of Sukhanov is of course correct. But then, what in fact was the underlying historical condition and what was Comrade Liu Shaoqi's motive when he stressed the development of productive forces? Did it happen before the proletariat of our country had seized power and was it aimed at opposing the proletariat seizure of power? Of course not. It was 7 years after the establishment of the dictatorship of the proletariat in our country and under the conditions after the socialist revolution had achieved a decisive victory that Comrade Liu Shaoqi put forward on behalf of the party Central Committee the proposal to shift the main focus of the revolution to developing productive forces. This was not even remotely similar to Sukhanov's revisionist theory of opposing the revolution and opposing the proletariat seizure of power. By fabricating the "theory of putting productive forces before everything," the band of Lin Biao, the gang of four and Kang Sheng did not just oppose the "report" by Comrade Liu Shaoqi but also distorted and falsified Leninism. In order to defame Comrade Liu Shaoqi, they talked such nonsense as "Lenin always stressed the great effect of revolution on the development of productive forces and stressed the effect of changing production relations on promoting productive forces" as if Lenin did not stress the great effect of the development of productive forces on revolution and on changing the relations of production. This is an ignominious act of distorting Leninism. Being a great Marxist and proletarian revolutionary, Lenin did not just always stress in his works the great effect of revolution on the development of productive forces or the great effect of changing production relations on the promotion of productive forces, but he also stressed the great effects of the development of productive forces on revolution as well as on changing production relations. Especially after the victory of the October Revolution, he repeatedly stressed the decisive effect of the development of productive forces on keeping the Soviet system going. Lenin pointed out: "After the proletariat has seized political power, its most important and most basic concern is to increase the quantity of products and greatly improve the productive forces." "Without this condition, it cannot begin to discuss the success of the whole cause of labor liberation or victory of socialism." ("Complete Works of Lenin," "Functions and Duties of the Trade Unions Under the New Economic Policy," vol 33, p 159) He stressed: "We must make every trade union member care about production and make them remember that only be increasing production and improving labor productivity that Soviet Russia can obtain victory...we shall ruin everything if this duty is not understood." ("Complete Works of Lenin," "Report on the Work of People's Committee," vol 31, p 454) If a strong socialist economy is not built after the proletariat has seized political power in an economically backward China, then how will we be able to satisfy the ever increasing needs in both the material and cultural life of several hundred million people? How can we build a strong and modern national defense to protect the security and independence of our motherland? And how can we consolidate and develop the newly emerged socialist system? Can it be said that all these could be accomplished without having to go through a protracted hard struggle in production, or just by revolting against production relations all the time in disregard of the actual conditions of productive forces? Of course not, and it is very dangerous to do so.

Comrade Mao Zedong said: "If we are capable in all aspects except in economics, then we are just a useless bunch who will be beaten by enemies and become extinct." (Mao Zedong: "Economic and Financial Problems," p 187, published by the Liberation Centre, 1942) This is not alarmist talk but an objective truth. Of course, there is no challenge before us that we communists cannot meet. Since we were able to

launch an armed struggle to overthrow Chiang Kai-shek and founded new China, we can of course master economics in order to build a strong and modern socialist China. However, if we do not concentrate our main efforts and thoughts on economics, then how can we master the techniques of economic construction or know about and grasp the socialist economic laws? If we are unable to know about and make use of the socialist economic laws, how can we fulfill the task of socialist economic construction? It is therefore obvious that the viewpoint on shifting the main focus of the revolution as put forward by Comrade Liu Shaoqi was absolutely not a "Sukhanov's doctrine" but Leninism, not "the theory of putting productive forces before everything" but historical materialism and not persisting in taking the capitalist road but persisting in taking the road of socialism.

Practice in history has proved that the glory of the "report" cannot be obliterated. After the basic completion of the socialist reform of the means of production, the development of our socialist cause is smooth and in progress when we persist in the line of the "eighth congress"; otherwise, it is sure to meet with failure and is liable to stagnate and retrogress when we deviate from the line of the "the eighth congress." During the 3d plenary session of the 11th CCP Central Committee after the crushing of the gang of four, we made an all-round and profound summary of the positive and negative experiences after the "eighth congress," exposed and criticized the ultraleftist line pursued by the band of Lin Biao, the gang of four and Kang Sheng, restored the Marxist-Leninist line of the party in politics and ideology as well as resolved to practically shift the emphasis of the work of the party to socialist economic construction and concentrate the strength of the whole party and the people in making concerted efforts in the struggle to build our country into a modern and strong socialist state. This is entirely correct and is the continuation and development of the line of the "eighth congress" as well as the basic guarantee for the victorious development of our socialist cause in future. Therefore, under the guidance of Marxism-Leninism and the scientific thinking of Comrade Mao Zedong, the whole party must persist in implementing the resolution of the 3d plenary session of the 11th CCP Central Committee, eliminate the pernicious influence of the band of Lin Biao, the gang of four and Kang Sheng in opposing Marxism-Leninism and correctly lead the people of the whole country in the struggle to realize the great cause of the four modernizations of socialism, then surely as Comrade Liu Shaoqi confidently said in the "report," "Our great socialist cause must be victorious and there will not be any force in the world that can prevent our victory!"

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ECONOMIC PLANNING

BEIJING ECONOMIC JOURNAL ON PRODUCTION RELATIONS

HK180814 Beijing JIANGJI YANJIU in Chinese No 9, 20 Sep 80 pp 16-20

[Article by Sun Ju [1327 4251] of the politics department of Qugu Normal School, Shandong: "A Discussion With Comrade Sun Yefang [1327 0396 2455] on Production Relations as an Object of Study in Political Economics"; passages within slantlines denote underlining]

[Text] I was greatly enlightened by my reading of Comrade Sun Yefan's article, entitled "On Production Relations as an Object of Study in Political Economics," in the issue of JINGJI YANJIU No 8. However, there are some points on which I do not agree with in the conclusion reached in the article, that Stalin's definition represents a "two-pace retreat" from Engels' definition (for all further references to the original article by Sun Yefang, see JINGJI YANJIU No 8 1979. No further footnotes will be provided on this point), and I would like to discuss these points with Comrade Sun Yefang.

1. About our Understanding of Engels' Definition

I am in full agreement with Comrade Sun Yefang when he says that Engels provided us with an exhaustive definition of political economics: political economics is "a branch of science which conducts research into the conditions under which and the forms by which each society carries out production and exchange, and the corresponding conditions and forms by which they implement the distribution of commodities." (Engels: "Anti-Duhring", People's Publishing House, 1979 edition, p 147) By extrapolating Engels' definition, it is possible to establish a definition of the relations of production, thus:

The relations of production are "the conditions under which and the forms by which each human society carries out production and exchange, and the corresponding conditions and forms by which they implement the distribution of commodities."

Basic grammatical knowledge tells us that, in the sentence "the relations of production are conditions and forms...," the subject, predicate and object are all clearly defined, and that between them is an attribute. This means that /the contents/ of the relations of production consists of /the conditions and forms/ of production, exchange and distribution, and not of production, exchange and distribution themselves.

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With regard to Engels' definition, Comrade Sun explains that: "The production, exchange and distribution of which Engels speaks constitute" the relations of production. Moreover, he maintains that "these three things encapsulate the whole content of the relations of production." This is a reinforcement of Engels because, from Engels' definition, we can only deduce that "the relations of production are equivalent to the conditions and forms by which production, exchange and distribution are carried out," and not that "the relations of production are equivalent to production, exchange and distribution." The conditions and forms required for putting into practice these three things are not at all the same as the three things themselves.

Marx revealed that the process of social production is the integration of the process of material production with the process of development of the relations of production. "Production, exchange and distribution, along with consumption, form four links, which first of all serve to form our concept of the first of these, production, and which constitute the dialectical unity of the four links. The relations of production permeate, and reside in, the four links of the process of production and, moreover, they are embodied in the three links of the production process. In transferring the concept of the various links of the production process to bring them within the scope of the relations of production, the production process is confused with the two categories of production relations. Besides, as we all know, Marx determined the relations of production to be the social relations of men within the process of social production. (See "Selected Works of Marx and Engels," "Wage Labor and Capital," vol 1, pp 362-363) Engels determined the relations of production to be the conditions and forms by which production, exchange and distribution are carried out. May we, or may we not, argue that Marx did not indicate the contents of the relations of production, and that only Engels showed that the contents of the relations of production consist of the three items of production, exchange and distribution? Clearly, we may not. I maintain that the definitions of Marx and Engels are exactly the same. If one were to say that in some places, Engels' definition is more advanced than in Marx's definition, then that is because Engels uses "conditions and forms" instead of "social relations" and as a result, the contents of the relations of production are a little more objective. To go so far as to enumerate two, three, or ever four links, is not really of any consequence. For example, in saying that political economics "is the science of research into the rules which govern the production and exchange of the material means of livelihood in man's society," Engels lists only two links. Nevertheless, there is no question of there being any difference whatever between Engels' two definition. We ought to grasp the essence of the relations of production from the complete process of social production. Moreover, considering the four links of the process of social production from a historical point of view, only in certain specific stages of social history does there exist an independent and clearly defined demarcation of the differences between them. Taken as implicit in the relations of production within the process of social producton, or as a scientific definition of production relations, which allows us to grasp the essential contents of the relations of production on the basis of a conformation of the common significance of the speical features of mankind's various types of social production, the notion of the different links in the process of social production is clearly unacceptable.

Of course, even though Comrade Sun explains that the contents of the relations of production are the three items of production, exchange and distribution, this is not the same as understanding the contents of the relations of production to be the three links themselves. However, there is a pressing need for another scientific definition, which will make use of the correct notion to summarize and suitably express the contents of the relations of production. In his article, Comrade Sun twice explains production, exchange and distribution as, respectively, "the relations between men in the process of direct production," "the relations between men in the process of exchange," and "the relations between men in the process of distribution," but what problems does this bring to light? First, this method of making three divisions is inappropriate, moreover the concepts within and without the quotation marks are not part of the same process, and cannot be substituted for one another. Second, even if we understand the concept according to the explanation within quotation marks, then in comparison to the usual definition, confirmed by Marx, that the relations of production are the social relations of men within the process of social production, there is ano question of its being more advanced. This still does not offer a specific answer to the question of what the contents of the relations of production actually are.

To summarize, Engels' definition tells us that the contents of the relations of production are not the three items of production, exchange and distribution, but that they are the conditions and forms by which the three are put into effect.

2. About our Understanding of Stalin's Definition

Having made a comparison between his own of Engels' and Stalin's definition, Comrade Sun reaches the conclusion that Stalin's definition puts more emphasis on the system of ownership and less on that of exchange. Let us investigate this a little further.

(1) On the first point of Stalin's definition

The first point of Stalin's definition concerns "the form of the system of ownership of the means of production." It should be noted here that the system of ownership is not the same as the system of the ownership of the means of production. Hence, to make the sweeping statement that Engels' definition includes the system of ownership and that Stalin's definition does not, is not acceptable. For this reason, it is necessary to clear up some points which have to do with the implications of the concept of the system of ownership: First, Stalin considers the system of ownership and the relations of production as having conceptual applications which are on identical levels, and that all the contents of the relations of production are also the same contents making up the system of ownership. Thus, from an overall aspect, the scope of the concept of the system of ownership has been used. Second, the ownership system and the form of the wonership system constitute an economic category. Third, the system of ownership of the means of production is only a part of the ownership system, even though it is an important part and has fixed functions. Because of this, in examining the question of the ownership system, Stalin treats it as an aspect of the relations of production which cannot appear outside the relations of production.

The form of the system of ownership of the means of production is quite simply a question of saying who the means of production belong to, and of the social attributes to the means of production. This is a real and specific material relationship

among people. But why do we say that it possesses a significance of the most decisive nature within the relations of production? Because production, in any society, is always made up of the two fundamental key elements of the labor force and the means of production. However, if we wish it to become the productive activities of an actual society, then we must unify labor and the means of production in a definite form. The different relationships which link men with the means of production also directly formed a yardstick for the relations of the positions held by men in production, and have become a means to determine the relations of the types of intercourse among men. The specific form of linkage between men and the means of production in the production of any society is thus determined by the level of the forces of production, the form of the social division of labor, and its already fixed form of ownership of the means of production in the previous historical period. Thus, the solution to the problem is very clear; the form of the ownership of the means of production is the most basic social condition under which social production is carried out.

In his "Introduction to 'A Critique of Political Economics,'" Marx gave a brilliant explanation of the problem of the form of the ownership of the means of production, pointing out that "before it becomes the distribution of commodities, it must undergo (1) the implementation of production and, (2) distribution of the members of society throughout all the various kinds of production (each person belongs to a certain production relation)--this is an advanced rule of the above-mentioned relationship." Marx is quite clear on this point; the former is an expression of to whom the means of production belong, and the latter the relationship of man in production. Marx brings these two aspects of distribution together under the heading of the distribution of the conditions of production. "This kind of distribution is included within the production process itself, and moreover determines the structure of production; the distribution of commodities is clearly only a result of this kind of distribution." ("Selected Works of Marx and Engels," "Introduction to 'A Critique of Political Economics'", vol 2, p 99) In "A Critique of the Gotha Program," Marx gave an even more thoroughgoing explanation: "Any kind of distribution of the means of subsistence is nothing more than a result of the distribution of the conditions of production themselves. /The distribution of the conditions of production thus express the nature of the form of production/ (here it is interpreted as the relations of production in this writer's opinion.) ("Selected Works of Marx and Engels," "A Critique of the Gotha Program," vol 3, p 13)

Marx' statement is unmistakeably clear when he explains to us that the distribution of the components of production, (and by this it is meant the form of the system of ownership of the means of production), determines the distribution of the members of society throughout the various kinds of production. (It should be noted that the relations and placings within the distribution of labor in production, because no analysis has so far been attempted in this article, naturally do not represent the mutual relationships in their entirety.) These two also determine the form of distribution of commodities. Stalin's definition is entirely in agreement with Marx' thinking.

To sum up what has been said so far, Stalin's making the form of the ownership of the means of production the first part of the substance of proudction relations is scientific. It grasps the fixed character of the nature of production relations. If this is not so, then the relations of production can only be an empty abstraction.

(2) On the second point of Stalin's definition.

Comrade Sun says: "Because most ordinary people understand 'exchange' as 'the exchange of commodities,' Comrade Stalin, in order to avoid confusion eliminated the term 'exchange,' maintaining that the element of 'the placing of different social groups in the production process, and the mutual relations between those groups,' already is contained in the meaning of 'exchange' as discussed by Engels. I believe that Comrade Stalin's argument is untenable."

Is it true that exchange is not included in Stalin's definition? I believe that this is not necesarily so. First of all, the very way in which the second point of Stalin's definition is expressed rules out the conclusion that exchange has been deleted. Moreover, he seems to have foreseen that there might be controversies on this point after his death, for he immediately addad a supplementary explanation: In this definition, /I have not made use of the word exchange,// which is used in Engels' definition.... However, /the thing indicated by the word 'exchange' /as used by Engels, has been clearly included as a component part of the foregoing definition." Stalin: "Problems of the USSR's Socialist Economy," People's Publishing House, 1961 edition p 58; all further references to this work are to this edition.) Take note that "not using the word exchange," is fundamentally different from "deleting the concept of exchange." The actual meaning of "not using" is not having chosen to use this particular noun. If we read Stalin's supplementary explanation carefully, we will see that, from his understanding of the actual content of Engels' definition, Stalin grasped and then wrote in his own style. Engels' definition itself makes it clear that, although it includes the word "exchange," yet it does not constitute a separate item." Hence, Stalin says correctly that, /"the thing indicated by Engels' use of the word 'exchange' has been included,"/ and does not say that /the item of exchange/ has been included. Therefore, we cannot limit ourselves to a purely lexical comparison of the similarities and differences of the two definitions. This would mean, looking at the three words "production, exchange and distribution," included in Engels' definition, calling them three items, and discarding the conditions and forms under which the three items operate; on the other hand, looking at the non-including, in Stalin's definition, of the word "exchange," saying that "the item of exchange has been deleted," and not paying any attention to the fact that "the concept indicated by Engels' use of the word 'exchange,' has been included."

In the second place, let us suppose that Comrade Sun's conclusion, that Stalin had deleted the concept of exchange, holds true. In this case, Comrade Sun is left with the responsibility of clarifying the basis on which his own conclusion rests. But, in his article, Comrade Sun did not do this. Indeed, he goes on to say: "In his definition of the relations of production, Comrade Stalin does not give a single example of the relations of exchange, and in fact makes them into an element of the relations betweenmen within the process of direct production, (namely, the so-called 'mutual exchange of activities')."

If we carefully analyze Stalin's conclusion and supplementary explanation, and examine it from all its various aspects, we might quite naturally arrive at this conclusion: Stalin has in fact confirmed the existence of three general forms in the relations of production. These are: first, his own "mutual relations between, and placing of, all the various social groups in production, which arise from this source:" Second, Marx' "mutual exchange of activities." The fact that he uses the word "or" indicates that this form has a relationship of a parallel nature with the preceding one, that the two are similar in meaning and interchangeable, and that no subordinate relationship exists; third, the inclusion of Engels' definition of

of this particular concept. In this way, Stalin has confirmed that his definition is in complete agreement with that of Engels. Thus, we may say the second aspect of the relations of production is correctly expressed both by Stalin and by Marx, in that it includes the concept which is indicated by Engels' use of the word exchange.

Marx's phrase, "the mutual exchange of activities," which appears in "Wage Labor and Capital," has a very clear meaning: The mutual exchange of activities consists of influences, interactions and relationships among men in production and, if these sorts of interactions and relationships are not present, then there can be no production. At the same time, this has much wider implications than does Engels' statement that there can be no exchange without production, and that production can still proceed where exchange does not exist.

In his "Introduction to 'A Critique of Political Economics,'" Marx also made an exhaustive investigation of exchange. He first of all investigates exchange within the direct production process, and from there proceeds to an examination of the exchange which constitutes the process of exchange, (the circulation process), pointing out that, "only in the very last stage, when commodities are exchanged directly for the purpose of consumption, that exchange can appear independently or production and in all cases exchange cannot escape its connections with production." (Selected Works of Marx and Engels," "Introduction to "A Critique of Political Economics,'" vol 2 p 101) Mr Dahrin specially refutes the independent nature of exchange, and regards this kind of exchange or circulation as an element of production. This is, of course, totally absurd. The exchange referred to by Marx, Engels and Stalin in their discussions of the substance of the relations of production is completely different from that referred to by Dahrin. Comrade Sun's criticism of the second point of Stalin's definition, as being equivalent to Dahrin's standpoint, is visibly rash.

It may be seen from the above that the exchange referred to by Marx is to be taken as exchange in its broad sense, and that it includes the exchange of commodities, the exchange of labor, the exchange which is present within the direct production process, and also the exchange which exists in circulation. The relations of exchange within the capitalist production process, as defined by Marx, are in fact the relations of the mutual exchange of labor among men. The manifestations of the forms of exchange in all the various societies of mankind are not completely identical. The exchange which serves as a link in the process of social production, as well as the exchange carried out to effect the consumption of goods, were not present in the early period of primitive society, and are not present in the communist society; in these societies, the relations of the exchange of labor among men are given expression through the direct production process and through the distribution process. Marx's phrase, "the mutual exchange of activities" aptly captures the meaning of the relations of mutual exchange between men in all their various societies, and in all their different forms. Thus, Stalin has even more clearly indicated that the "mutual exchange of activities" is actually the placing of and the mutual relations between men in the process of social production.

3. Stalin's Definition Advances Over Engels' Definition

For a further clarification of the issues in question, we will need to make a further analysis of the two definitions on an overall basis.

First, let us consider things from the point of view of substance. Engels defines the relations of production as the conditions under which and the forms in which production, exchange and distribution are put into effect. For the purposes of analysis, there is nothing to prevent our starting from this premise. (Strictly speaking, this is not a scientific premise, and is used here in this way solely for the purposes of analysis.) The conditions and forms of production: a certain level of production forces must be presupposed, and its social conditions are in fact the form of the system of ownership of the means of production. The conditions and forms of exchange: A certain production must first be presupposed, and the conditions and forms of production then sets the conditions for the form of exchange. The form of exchange is the concrete embodiment of man's mutual relations; it changes according to history, and its substance is manyfaceted. The conditions and forms of distribution: Takes as its premises a certain production and a certain exchange, and is determined by the conditions and forms of the two preceding factors. The form of distribution constitutes that part of the relations of production which has a relatively independent signfiicance, but it is merely the condensation, material expression or actuality of man's positional relationships, and of these relationships between themselves. As for the form of consumption, it goes without saying that this is restricted by the above-mentioned relations.

On the basis of the above analysis, the first point of Stalin's definition isolates the common social condition of production, exchange and distribution. The second point of Stalin's definition isolates the essential substance of the form of production and the form of exchange. The first two points define the pattern of distribution (thereby defining the pattern of consumption), making up the content of the third point. Hence, we may say that Stalin, on the basis of Engels' definition, and within the outlines and scope of the substance of preudction relations as fixed by that definition, has not only clearly exposed Engels' definition, from the point of view of the dialectical unity of the production processes of the whole of society, and on the higher level of the historical changes undergone by production in all human societies, but has also gone a step further, and has revealed, summarized and caught the essence of the fundamental nature of the substance of production relations.

Second, from the point of view of exposition, Stalin's definition can again be said to be scientific. Stalin says that the relations of production include: (1) The form of the system of ownership of the means of production; (2)/Arising from this first factor,/ the placing of all the various social groups in production, and the relationships between them, /or,/ as Marx put it, 'the mutual exchange of activities'; (3) /Regarding production relations entirely/ as the form of distribution of /transformed/ goods." (Stalin: "Problems of the USSR's Socialist Economy," p 58) Readers should pay particular attention to the words underlined for they are all essential to the meaning, and should not be omitted. They effect the understanding of the substance of the relations of production, for it is precisely these connecting words which express the logical and positional relationships of the tripartite substance of production relations. They show that the three aspects are not three isolated parts of a whole, but that they in fact are part of the entity, but limited by their mutual interaction, and each has its own independent significance in relation to the others. This constitutes a great advance on Engels' definition.

Here we should discuss the so-called formulation of vertical and horizontal relationships. From this viewpoint, Engels' definition considers the question from the horizontal aspect, while Stalin's looks at things from the vertical aspect. I believe that this formulation is inappropriate. First, this formulation is still based on the unsatisfactory analysis of Engels' definition, taking production, exchange and distribution as the tripartite substance of production relations, and does not encompass, on an overall basis the conditions and forms under which the three are put into practice. Second, I believe that a scientific notion or definition should and must be capable of grasping the essential attributes and substance of objectively existing concepts, both from the viewpoint of the two kinds of relationships—vertical and horizontal—and from that of the unity of generality and individuality, of logic and history. If we say that the two definitions consist of vertical and horizontal relationships, we would in effect be claiming that they are one-sided, and incomplete. In reality, both Engels' and Stalin's definitions are complete and all-encompassing, and have grasped the essential substance and particularities of the relations of production, from the viewpoint of the unity of vertical and horizontal, generality and individuality, history and logic.

Finally, on the question of the definition of the relations of production as an object of study in political economics, two points must be made clear. The first one is that, when we say that Stalin's definition is a complete, scientific definition, this does not imply that Stalin's definition has completely summed up the substance of production relations, and that nothing has been left out. It simply means that no other definition has emerged that could supplant Stalin's or that is more complete than his. As for inquiry and research into the relations of production, this remains an important area of study in Marxist political economics. The second point is that what constitutes research methods of political economics is another question entirely. Because of this, the object of research in political economics is to create a political-economic system, and such research does not necessarily proceed in sequence from the substance of the relations of production. For example, Marx's "Capital" does not directly proceed from research into the system of ownership of the means of production. From what basis socialist political economics should proceed, and how it should construct its logical system, is one of the most important fields of theoretical research in political economics in China today. Thus, it is essential that we differentiate between the definition of the objects of research in political economics, as well as between research methods and the creation of systems. We must not limit ourselves by simply accepting Stalin's definition as a rigid framework or guideline to study.

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ECONOMIC PLANNING

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[Article by Qin Ming [4440 2494]: "Remarks on Some Problems Concerning the Bringing Into Play of Economic Superiority"]

[Text] In developing the national economy and in improving economic results, it is essential to concentrate on bringing economic superiority into play; this is an extremely important guiding principle put forward on the basis of summing up our experience of both the positive and negative aspects of economic development. If we conscientiously and thoroughly implement this guiding principle, we will surely be able to provide a powerful impetus to the development of the national economy. Below are a few tentative opinions related to some problems in bringing into play economic superiority which need to be looked into.

1. Why Is It Necessary To Bring Economic Superiority Into Play?

The guiding principle of bringing into play economic superiority has been put forward in the light of a fairly serious examination of the natural economy existing within China's economic construction. Before liberation, China had been a long-standing feudal society, and the commodity economy had scarcely developed. After the victorious conclusion of the revolution, we ought to have actively developed the social division of labor and cooperation, and powerfully developed the production and exchange of commodities, and ceaselessly encouraged the process of the socialization of the economy. However, for a long time, the production of commodities was seen as a foreign idea, and many watchwords and policies in economic life emphasized self-sufficiency, and encouraged the "big and complete" and the "small and complete" ways of doing things. In the field of economics, this situation gave rise to a whole series of problems, and presented a serious threat. In particular, this involved the following aspects:

1. We were compelled to engage in a activities for which we ourselves lacked the necessary qualifications, thus causing a large-scale waste of manpower, material resources and financial resources. In order to establish a regionally independent economic setup, many areas did not pay any attention to the objective conditions of their particular localities, did not worry about profitability or the feasibility of what they were doing, dabbled in all kinds of things, and indulged in parallel advancement. Some areas which were in fact deficient in energy resources and in raw materials, nevertheless embarked on projects which involved the expenditure of a lot of natural resources and raw materials, with the result that, on completion of

these projects, a large amount of waste had been created. Other areas, taking no notice of the state of their natural resources, engaged in ventures using coal, oil or steel where there was in fact no coal, oil or steel, investing a great deal of capital without evolving any productive capacity, or receiving any return on investment, for a long time.

2. The development of production and industries which were suited to the conditions of a particular locality and conducive to good economic results did not begin to take place, which inhibited the rapid and thrifty development of the national economy. This phenomenon was particularly apparent in the case of agriculture. Within the vast territories of China, the natural conditions of each area differ enormously, and agricultural production should suit its measures to local conditions, growing grain or cotton, practicing animal husbandry or forestry, according to the nature of the land available; only in this way is it possible to make effective use of every type of natural conditions, in order to achieve reasonably profitable results for a fairly small expenditure. However, because of overempahsis in the past on self-sufficiency in grain, and on self-sufficiency at all levels, many areas have not been able to develop production in such a way that it is profitable to themselves and to the state as a whole and, as a result, have discarded profitable things and forged ahead of weak points. They have not developed, and have even gone so far as to discard altogether, the notion of the superiority of economic crops, and have concentrated solely on growing grain, at the expense of all other crops. The result of this has been a decrease in collective incomes; some semimountainous districts have made great efforts in building level terraced fields and destroying fruit trees and forests; cropland has been reclaimed from lakes and coastal areas, which has disrupted the breeding of fish for pisciculture and affected sea-lanes. The opening up of many grasslands and forests for arable farming has disrupted the natural ecological balance and has caused the large-scale runoff of water and soil erosion. Even though they have paid a high price, a great many areas have nonetheless still not really given up their obsession with grain, and have not yet started to develop those cash crops, or ventures in forestry, animal husbandry, sideline products or fisheries that they ought to practice in order to suit the conditions of their particular district and to obtain good economic results. This situation has its exact parallel in industrial production. For example, the conditions in some provinces and districts are extremely advantageous for the development of light industry, but in order to have a self-sufficient setup, a vast quantity of finanical resources and material was employed to put heavy industry into commission, with the result that heavy industry was not well organized, and that light industry also did not receive particularly good development, causing great losses all-round.

3. Each area carried on a self-contained and complete set of operations, and created its own setup. There are some commodities for which production can be concentrated into a few units throughout the whole country, and thus satisfy the requirements of all areas, without the need for each area to set up its own plants. Nevertheless, each area has built its own factories in order to have its own facilities, creating a situation which is very irrational in economic terms. There may already be large factories producing some commodities in a particular area but, all the same, small factories are built next to the larger ones. The conditions of the larger factories may be good, their energy consumption small, their production costs low and their products of good quality, and they may still not be working at full capacity; but the small factories may have a large consumption of energy and high production costs; they may even run at a loss, and affect production, bringing about great waste in the economy.

4. Enterprises were supposed to be "big and complete" or "small and complete," and so did not ask for assistance in anything. Socialist enterprises should share labor and cooperate with one another, and implement specialized production. However, many enterprises did not give a thought to economic accounting and, so as to be self-sufficient, they manufactured everything themselves, from small component parts right up to complete plants, thus making enterprises extremely unwieldy, and causing batch sizes of the commodities they produced to be small, their energy consumption to be large, their production costs high, and their production efficiency very low.

Naturally, the causes of the above-mentioned problems in production are manifold. For instance, certain proportions in the national economy were not well balanced, and there were gaps in the supply of some goods and materials over a long period; people were forced to make their own, for as the saying goes, "If there's no food cooking in the communal pot, the only thing to do is to set up your own little kitchen." When, a few years ago, the normal sequence of production was disrupted, and cooperative relations were no longer guaranteed, this situation, too, had the effect of making each area want to do as much as possible for itself, to rely less on other people and so on. Nevertheless, the basic cause was the influence of the natural economy way of thinking, which called for self-sufficiency and independent setups.

The plan for bringing superiority into play means that the above-mentioned unreasonable conditions must be revised. Ours is a large country, and each region has its own preponderances, its own strong points; if everyone sets out from the specific conditions of his own area, concentrates on avoiding mistakes, brings superiority into play, and gives prominence to the most important points, then economic results will be greatly improved, and the speed of economic development will be greatly increased.

2. How Is Superiority To Be Correctly Understood?

At present, great importance has already been attached by the whole party to the plan for bringing economic superiority into play. But what exactly is superiority, and how is superiority to be correctly understood? I am of the opinion that, as far as economics is concerned, superiority means the aspects of maintaining a general balance over the situation as a whole, adapting to the conditions of particular areas, and starting up profitable enterprises. It is symbolized by good economic results. Good economic results means, most importantly, a high level of productionefficiency, high quality products, low energy consumption, low productioncosts, and high profitability. By carrying out whatever kind of production or enterprise is best suited to the natural conditions and level of economic techniques of a particular area, and then developing this production or enterprise, reasonably profitable results may be achieved with a reasonably small expenditure of labor. These results will be insufficient on a regional scale, but they should be judged on a national scale. It can only be called superiority if it is in keeping with the requirements of society and if its economic results are proved to be good. Superiority and inferiority may be said to be mutually comparable, and superiority is, moreover, a concept of development and change. Because of these conditions of superiority have been established, it follows that it changes and is changed in accordance with the factors of science and technology, the level of production and the requirements of society and so forth. Hence, in order to gain an understanding of superiority, it is essential to conduct specific analysis and comparison in accordance with the specific conditions prevalent at different times. This involves four relations which need to be dealt with correctly:

1. The relation between superiority and the current situation. In deciding what is or is not superiority, we should work on the basis of the conditions of a particular area, we should not make sweeping generalizations saying that something is reasonable and superior simply because it exists. Some of the present conditions are reasonable, and possess the necessary conditions for development, and this is a state of superiority. There are some current situations which, because of many years of lopsided development or because of certain historical reasons, are actually in the position of having no natural resources or of not possessing the necessary conditions, and in regard to this kind of current situation, even if the foundations exist, we must carry out a specific analysis. The utilization of certain productive forces and technical forces needs to be increased, but we must definitely not continue to develop them according to the same old pattern; some may prove to be millstones around our necks, and we must carry out readjustments--basically we must not put them in a position of superiority and give free rein to them.

2. The relation between prices and results. Superiority requires results to be good, and the general manifestations of this, in economic terms, are low costs and high profits. However, many prices are at present unreasonable, and cannot accurately reflect the actual situation of economic resutls. For example, if the price of coal is inclined to be low, then the profits obtained from coal mining ought to be lower than those for many other kinds of products. It should not be thought that if the profits to be gained from a particular activity are small, that activity cannot be placed in a position of superiority.

3. The relation between the part and the whole. To see if something constitutes superiority, we must work on the basis of the whole. If the necessary conditions and energy resources are available for the manufacture of a certain product in a particular area, and if the product is in short supply on a national basis, this is in accordance with the needs of superiority of the whole, and full play should be given to this kind of superiority. Some circumstances constitute superiority as far as the part is concerned, but from the point of view of the whole they represent overproduction, and are unreasonable; these may not be treated as superiority and developed, and instead limitations should be imposed on them. To sum up, it must be understood that superiority cannot be treated purely on the level of the part, cannot be restricted to the interests of the part, while ignoring the interests of the state as a whole, and that, when contradictions arise between the interests of the part and those of the whole, then it is necessary to adhere firmly to the principle of subordinating the part to the whole.

4. The relation between the present and the long term. In understanding superiority, we should not only consider present interests, but should also direct our attention toward long term interests. There are some situations which are acceptable at present, but which might give rise to a lot of problems in the long term. For instance, in areas where conditions are favorable for water conservancy projects, the building of reservoirs should be considered from all points of view; we cannot allow rivers to have their courses changed or to flood so badly as to cause torrents of water to flow down the mountainsides, simply because a reservoir has been built. As a further example, in some areas where local conditions are suitable, the increasing of the area of land under cultivation may be acceptable, but careful consideration must be given to the possibility of the opening up of wasteland resulting in water loss or soil erosion, or to the disruption of the ecological balance.

Again, in the exploitation of mineral reserves, we must look both in front and behind, and make equitable arrangements, because if we recklessly increase exploitation for the benefit of a certain period, causing the reserves to be exhausted too soon, then this will not be in the interests of future generations.

3. How Can Superiority Be Brought Into Play?

In order to give full rein to superiority, apart from resolving the problems on the level of ideological understanding, it is also necessary to solve many problems connected with economic planning and rules and regulations, and with economic policy, in order to bring into being the necessary conditions. Roughly speaking, we must concentrate on bringing work on the following aspects to a successful conclusion:

1. Strengthening planning and guidance, and avoiding blind actions. The socialist economy is a planned economy. The bringing into play of superiority should be carried out under unified plans and guidelines for the country as a whole, and attention should be given to maintaining an overall balance. Each region must also conscientiously formulate development plans in accordance with the assignments and the direction for development promulgated by the state, and also taking into account its own specific situation. Those areas which have a sound economic base, and especially areas whose production equipment and technical resources are relatively strong, ought to develop towards the highest peak of excellence, supplying society with more numerous and more up-to-date products. From the point of view of the country as a whole, we should first concentrate our efforts relentlessly on the weak links of the national economy, which at present means that we should give impetus to fuel and motive power, and to transport and communications, so as to promote the development of the whole economy.

2. Concentrating reserves. Each region should utilize its limited finanical and material resources first of all in creating a position of superiority. If funds are used indiscriminately, and if things are developed in parallel, this will inevitably affect the bringing into play of superiority. Funds used for creating a position of superiority must themselves first be used in the search for, revitalization and transformation of those old-established enterprises which have suitable conditions, and only secondly in starting up new enterprises. Further, there should not be an excessive number of new projects, and they should be brought into effective use as soon as possible. In order to make use of capital in a concentrated way, projects in the process of being set up must be set in order, and those projects where capital investment has been large and the returns small, or those where production cannot be started up immediately on completion of construction, must be closed down, and the money that can be saved used toward creating a position of superiority. At the same time, we may make extensive use of the method of joint management and, by means of all kinds of joint management techniques, including those uniting different regions, different enterprises, or bringing together the whole people and the collectives, or various factories and firms, draw funds from all these areas and use them in a planned way to bring superiority into play.

3. Safeguarding competition. Under the conditions of a soicalist commodity economy, competition remains an objectively necessary phenomenon. The competition which exists under the conditions of socialism can play a positive role in giving free rein to promoting economic development, and in doing this its negative role can be blocked and limited. Through effectively bringing competition into play, and eliminating

its weak points, benefits will accrue with regard to causing things to develop toward a higher and better level. In the process of bringing superiority into play, we ought to make use of competition, by utilizing in a planned way, the law of value and eliminating inferiority in order to promote the development of superiority.

4. Progressively readjusting prices, tax revenue and profits. In order to encourage each area to bring superiority into play by suiting measures to local conditions, we should adopt measures in the aspects of prices, tax revenue and so on which will allow the bringing into play of each kind of superiority to attract a corresponding profit. For many years, because things were not done strictly according to the law of value, the prices of a great many commodities for a long period bore little relation to their value, and were thus extremely unrealistic. If this situation is not improved, it will be impossible for some areas to give free play to superiority. In agriculture, because fairly large increases were made last year in the prices of some agricultural products, the situation has been greatly improved; nevertheless, there are still some things which are unrealistic in the price ratios amongst agricultural goods, and this is affecting the development of some farm crops. In industry, the prices of commodities produced by some parts of the processing industry tend to be high, and their profits are also fairly large; on the other hand, the prices of some raw and processed materials which are vitally important to society tend to be low, and the profits derived from their production are rather small, and this situation does not help to improve the attempts of the regions which produce fuels and raw and processed materials to give free rein to superiority. If we want to bring superiority into play, we should carry out planned readjustment of the prices of some commodities, and bring base prices into line with value. If the readjustment of prices is likely to affect the stability of market prices, or to affect the people's lives, then the rate of taxation may first be revised. The tax rates for easily produced commodities, whose prices are high, and which have large profit margins, should be made somewhat higher, and where the opposite is the case, the tax rates may be lowered slightly. By using the lever of tax revenue to adjust the profit levels of different industries, it will be possible to cause each area to bring into play, in a realistic manner, its own superiority.

5. Insuring the smooth exchange of commodities. The state of affairs where each area supplies what the other needs, and where each makes up the shortages of the others, is an important condition for promoting the bringing into play of superiority in each area. This is the only means whereby each area can give free rein to its own specialities, to the best of its abilities, and without fear of any problems developing. At present, some of the channels of communication for transporting goods around the country are still being impeded, necessary commodities cannot be moved in to those places in which they are required, and goods which should be moved out of a place cannot be moved on time. In order to "safeguard the productive forces in this particular area," some districts still stipulate that some goods may not be exported beyond the borders of their own province, and that goods manufactured in other provinces may not be brought into their province, and have thus strangled trade routes. Solutions to these problems must be conscientiously sought both on the ideological level and on the political level. The state must effectively carry out the plan for the distribution of commodities, organize allocation and transfer of goods, and at the same time it must organize the exchange of market commodities. It must smash the rigid system of the means of production not being allowed to come onto the market, and, under the guidance of a unified plan, it must permit the means of production to be exchangedon the open market as commodities.

6. Paying attention to avoiding, and eliminating, shortages. Every area has its own strong points, as well as its own weak points. While making the most of an area's strong points, one aspect to which attention must be paid is the avoidance of shortages; thus, for instance, in areas where electricity is in short supply, projects which involve a high consumption of electricity should not be embarked upon; another aspect which must be concentrated on is that of taking the initiative in making good one's own shortcomings, especially those shortcomings which, if they are not remedied, will adversely affect development. There are three ways in which shortages may be made up: First, obtaining the required commodities by means of the exchange of commodities between regions, and of each area making up the shortages of the others; second, by investing funds, through the methods of joint management, in areas possessing suitable material conditions, and, through cooperation in production, providing one's own area with a stable supply of commodities. Third, by going all out to make the best of those conditions which pertain in one's own area. In short, then, in making up shortages, we must strictly prevent the resurgence of the "big and complete," or "small and complete" way of doing things.

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'ANHUI RIBAO' CRITICIZES BUREAUCRATIC INCOMPETENCE

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[Excerpts] ANHUI RIBAO of 12 October front-pages a letter from (Lin Qing) to comrade editors. The letter is entitled "Why Has Such a Profitable Deal Not Been Handled in Time?"

The Huainan Leather Goods Plant applied for a short-term loan of $10,000 in August 1979 to import zipper sewing machines to make workers' flannel gloves for export. It is estimated that the plant can increase the output of gloves by 240,000 dozen annually. This will increase income by 1.92 million yuan, profit by 380,000 yuan and tax by 96,000 yuan, and it may also increase foreign exchange by $500,000. This is really a very profitable deal. However, it cannot be easily realized. For more than a year, the plant and the Huainan Municipal People's Bank have sent personnel to Hefei on more than 10 occasions to contact the relevant departments for the loan negotiations. But at present the procedure still has not been completed.

The newspaper carries an editor's note in this connection, asking when will such an abnormal phenomenon be changed? Obviously it is necessary and urgent to change the economic management system and the work style. We hope that the relevant departments and the cadres and workers on the industrial and communications front will all sum up experience and discuss ways to reform the economic management system and overcome bureaucracy so as to push development of the modernization program.

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PRC ECONOMIC JOURNAL ON DISCUSSIONS OF MARKET REGULATION

HK170915 Beijing JINGJI GUANLI in Chinese No 8, 15 Aug 80 pp 30-33

[Extracts from speeches delivered at biweekly discussions on economic problems (Part I)--"How To Carry Out the Principle of Combining Regulation Through Planning With Regulation by the Market"; passages within slantlines denote boldface]

[Text] [Editor's Noted] "The biweekly discussions on economic problems" sponsored by our editorial department have gone on for more than a year. Beginning with the 31st session of these discussions, we have been discussing the issue of how to combine regulation through planning with regulation by the market. This is an issue of major importance with regard to the current structural reform of economic management. Excerpts of major speeches will now be published in succession and readers are welcome to send in letters or articles in order to join the discussions. [end editor's note]

/Market Regulation Enlivens the Economy of Iron and Steel Industry/--by Liu Kexun [2692 0344 8113], Research Institute of Economics Under the Ministry of Metallurgical Industry

In order to study the market regulation of rolled steel, some investigation groups were dispatched by the Ministry of Metallurgical Industry to the Chengdo Seamless Tubing Mill, the Chongqing Iron and Steel Company as well as to medium or small-size steel plants in Jiangsu Province. They also held discussions with comrades from the Anshan, Wuhan and Taiyuan steel companies. The comrades concerned are of the opinion that under the guidance of the state plans, such material as rolled steel which is subject to unified purchase and marketing can also be handled in a more flexible way. This is conducive to the growth of socialist economy.

/The Situation Demands That Rolled Steel Be Regulated by the Market/

Since regulation by planning cannot entirely solve the problem of rolled steel--some can neither be distributed nor can it be purchased by the material departments --the enterprises have no other way but to find their own markets. All this has resulted in breaking the monopoly of the material departments and causing both production and marketing of rolled steel to thrive.

In the past, the production and circulation of the nation's rolled steel were completely controlled under state planning and enterprises could make no decisions,

not even concerning a single piece of steel. Since the policy on readjustment of the economy was begun last year, there have been great changes with regard to the needs of rolled steel products for various departments. Such products as medium plate and high-grade steel which used to fall short of demand are now in excessive supply. Though the output of wire and welded pipe increased by a big margin, it failed to meet market demands. By regulation through planning, the Ministry of Metallurgical Industry succeeded in curtailing 1.53 million tons of products which were in excessive supply and increasing 2.36 million tons of products in short supply. All this has played an important role in readjusting the structure of products and linking production with demand. Some products, however, are not easily disposed of. The surplus products amounted to 9.83 million tons last year and 0.55 million tons in the first half of this year. These products can neither be distributed nor be purchased by the state material departments concerned. Under such circumstances, the enterprises have no alternative but to find their solutions.

There are two obvious solutions: One is to reduce the production plan or to some extent suspend operation and let the state assume all responsibility for the losses; the other is that under the precondition of fulfilling the state-assigned targets, the enterprises find their own markets for their surplus products by utilizing market regulation. A great many enterprises hold that partial suspension of operation will not only idle existing productive forces but also have a direct bearing on the vital interests of the staff and workers. Without bonuses, the workers will be worse off. Therefore, the enterprises are completed to find their own markets. To some extent, the success or failure and the rise or decline of the enterprises hinges on whether they will be able to market a part of their rolled steel products. This was also considered to be the crux for setting the workers' minds at ease.

In June 1979, owing to great difficulties in distributing medium plate products, the Chongqing Iron and Steel Company overstockpiled 0.1 million tons of steel billet, used more than 200 million yuan of circulating funds and took out an overdraft of 50 million yuan in bank loans, thus paying 5,000 yuan more in interest daily; the credit funds which the company owed to other units reached 15 million yuan and a fine for delayed payment was more than 5,000 yuan each day; and the profits which it delayed turning in and owed to the state amounted to over 17 million yuan. As a result, the Chongqing Iron and Steel Company was beset with crises. At the second half of the same year, the company began to encourage regulation by the market. On one hand, the clients were invited to directly place orders for the products of rolled steel and sign contracts; on the other, the company sent people to 16 provinces and municipalities, promoting the sale of its steel products. As a result, the company which formerly waited for projects could now operate at maximum capacity. Last year, on the basis of completely fulfilling the contracts of orders with the state, the company sold 129,000 tons of steel products through its own channels, making a profit of 18 million yuan. The output of steel products reached 0.68 million tons and the company turned in 54 million yuan of profits to the state, setting the highest record level in its history. People said with deep feeling: "Market regulation has enlivened the Chongqing Iron and Steel Company."

Through the market regulation of rolled steel products, we have overcome limitations in the following five aspects: 1. We have overcome the limitation whereby the operation of enterprises depended entirely on the state-assigned production plan. Now the production of rolled steel products is composed by both the contracts from the state orders and the orders acquired from individual enterprises. 2. We have

overcome the limitation whereby the means of production are not taken as commodities. We can now advertise rolled steel products as commodities and promote the sale by organizing sales exhibitions or sales on a commission basis. 3. We have overcome the limitation whereby industrial departments could not engage in trade. The Anshan Iron and Steel Company ran a retail shop selling rolled steel products and even conducted a transaction as small as 0.2 kg of steel products. For half a year, the shop has marketed over 20,000 tons of steel products. 4. We have overcome the limitation whereby competition should not be carried out among state-owned enterprises. Emphasis is put on improving the quality, raising the variety of products and practicing the principle of small profits but quick turnover. 4. We have overcome the limitation whereby there is only a single price with regard to rolled steel products. Now, the system of floating price and prices agreed upon by both sides has been introduced on the market.

/Bright Prospects for Market Regulation of Steel Products/

The market regulation of steel products originally aimed at solving the problem of overstocking is now being used to increase production of readily marketable items in accordance with market demands. So far as the process of development is concerned, the market regulation has played an important role in the following four aspects:

1. Counteracting the weaknesses of regulation by planning. To encourage enterprises to market products by their own channels leads to circulation of products which are not included in the state plan. Such a practice is welcome by clients. Take the No 2 Automobile Factory for example. It planned to overfulfill the production quota last year by manufacturing 5,000 more automobiles. However, the steel products which were distributed by the higher authorities concerned were in short supply. The factory could only solve the problem by purchasing cold-rolled sheet steel from the Wuhan Iron and Steel Company and steel plates from the Chongqing Iron and Steel Company. In Sichuan Province, 800 tons of medium plate were badly needed for about 100 water conservancy projects. On numerous occasions the Bureau of Water Conservancy asked the higher authorities concerned for the supply of medium plate, but to no avail. It was not until last year that the bureau managed to purchase a supply of medium plate which the Chongqing Iron and Steel Company directly sold on the market. Comrades from the Bureau of Water Conservancy were very grateful to the latter and said: "You have done a very good turn to the people throughout the country." In Wuxi County, Jiangsu Province, the consumption of rolled steel products last year amounted to 10,000 tons, 90 percent of which were the result of regulation by the market.

2. Increasing production and accumulation. The initiative of an enterprise and the enthusiasm of workers are brought into full play and the potential of an enterprise fully tapped. In 1979, the Taiyuan Iron and Steel Company succeeded in marketing 110,000 tons of steel products through its own channels. As a result, not only did the company manage to overfulfill 70,000 tons of steel products, setting the highest level of annual output of 0.72 million tons but also managed to turn over 121 million yuan of profits to the state, the highest level ever reached in the Taiyuan Iron and Steel Company for the past 30 years and more. In 1979, through regulation by the market the Anshan Iron and Steel Company surpassed the production of 176,000 tons of steel products which were directly supplied on the market and obtained 49.84 million yuan more profits. All this was done without increasing energy consumption. Various sectors of the national economy, in particular, could increase production

and income by using the steel products provided by the market. Take Jiangsu Province for example: 200,000 tons of rolled steel products were purchased on the market. After some processing, they were used in agriculture, textile and light industries and commune-run enterprises. As a result, the province increased by 400 million yuan in accumulation.

3. Raising the quality and improving the variety of steel products. By market regulation, the enterprises are compelled to try their utmost to enliven their economic management and become more competitive. Spurred by the impetus inside and pushed by the pressure outside, to put variety and quality in the first place is no longer a slogan. Instead, it has become the guide for action. The Chengdo Seamless Tubing Mill which traditionally used to produce heavy-caliber tubes has now tried every means to turn out light-caliber ones, reaching an output of 5,000 tons by the first quarter of the year. Seventy technicians were concentrated in 10 special groups in order to tackle key problems concerning quality. In so doing, periscope tubes, fluke pipes for trains and landing gear tubes regained their high reputation. Moreover, to make the products more competitive, the mill signed contracts with the Taqing oilfield, manufacturing oil pipes in accordance with the standard set by the American Petroleum Institute. Thus, the local products have gradually replaced the steel tubes which were imported from abroad and are now ready to enter the international market.

4. Changing managerial thinking of an enterprise. Through the market regulation of steel products, more and more people have realized that production cannot be promoted without improving management and the regular practice of "everyone eating out of the same big pot" will not do. The Chongqing Iron and Steel Company began to attach great importance to economic administration and management. The first deputy director was put in charge of the marketing department. The company broke down the convention of overemphasizing planning and giving little attention to marketing and carried out the managerial system in the order of marketing, supply and production. In addition, complete sets of products were marketed according to the users' demand. While selling boiler plates, the company simultaneously supplied boiler tubes, channel iron and angle steel. Thus, the sales volume are enlarged. In the Taiyuan Iron and Steel Company, marketing was encouraged to have a direct contact with production. Such a practice was taken as an impetus for improving business management of the enterprise. In the past, oil drum plates were produced according to the targets set by the state. However, the oil drum factories found the plates outdated when the materials were finally distributed to them. This was because there were some distinctions with regard to the drum plate used for the cover, the body and the bottom. Moreover, special regulations were needed for anti-pressing property of the cover. Specialized production has now been organized in accordance with the concrete demands of the users and acid treatment has increased. Thus, complete sets of drum plate have been turned out in accordance with different size of the cover and the body. All this is warmly welcomed by the users.

/Problems That Call for Solution/

Practice has proven that the market regulation of steel products is not an expedient measure. Instead, it is a long-term policy which makes the production, the enterprise and the economy more lively. We should make an all-round consdieration, make the best use of the situation and energetically find a solution for the problems cropping up in the process of marketing the products by the enterprises.

In the case of the market regulation of steel products, the major problem that arises is that there is, to some extent, the contradiction between self-marketing and the distribution controlled by the state plan. As far as the distribution of steel products is concerned, the plan worked out by the higher authorities is now merely general planned figures without indicating the target of variety. Under these circumstances, the material departments would rather purchase the products in short supply than those which are stockpiled. They would like to put an enterprise under their control instead of giving the latter any right of marketing its own products. Considering that there is no target of variety and it is hard for an enterprise to exercise sound judgment over the variety in the process of self-marketing, the material departments concerned will inevitably find it hard to fulfill the planned figures of products which are under unified distribution. In order to correctly handle this contradiction, the enterprises should market some steel prodcuts through other channels under the guidance of state planning; in marketing their steel products, they should confine self-marketing within a certain limit in accordance with the regulations approved by document No 1 of the Central Committee of the Chinese Communist Party and they should resolutely carry out the principles of putting those which are included in the state plan ahead of those which are not included, of putting the interest of the state ahead of the interest of localities and the key sectors ahead of the others. At present, most of the enterprises must stick to these principles. A small number of enterprises which deviated from the correct path should be further supervised and dealt with severely. We should not take a laissez-faire attitude and let things go unchecked.

Fundamentally speaking, the key to preventing and overcoming the blindness in the market regulation of steel products lies in reforming the existing system of planning and material control, strengthening management of material departments and enlivening the circulation of goods.

1. Work of planning should be improved and guidance over the market regulation strengthened. At present, there are fairly big shortcomings with regard to the distribution plan of steel products worked out by the state. This all calls for immediate solution. Yearly plans should be drawn up and relayed in advance and the abnormal state of placing orders ahead of planning should be stopped. We should strengthen market investigation and forecast of steel products so that the state plans could give expression to the market demand and with both targets of quantity and variety, the enterprises could work out their plans on the basis of contracts, promote production according to demand and get rid of unhealthy tendencies of picking up goods, going in for production and purchasing in a blind way. Steel products imported from abroad should be well coordinated with domestic ones. On one hand, we should exercise control over the plan of importing steel products from abroad. All the steel products which have good assortments and are sufficiently produced at home should not be imported from abroad. Those which are poor in quality should be tackled seriously and those which are improperly priced need to be readjusted; on the other, we should employ all available means in taking measures and providing conditions for solving the outlets of products which are in excessive supply at home, either by reducing the production to some extent or by exporting to the international market. In order to develop the national economy and properly combine regulation by the market with regulation through planning, there must be a stable and practical long-term program. We should make a scientific forecast with regard to the demands of steel products for the next 5 to 10 years. In addition, we should readjust and arrange for the productive capacity of steel products in a rational way and develop some market centers of steel products according to economic regions.

2. Further opening up circulating channels for steel products and promoting the linking of production with demand. The market regulation of steel products which started from regulation of circulation to regulation of production and consumption has yielded good results, thus making a breach in the planned distribution and state monopoly for purchase and marketing, and changing the situation in which production and demand often drifted apart. However, we still fail to link production with demand and make the former have a direct contact with the latter. According to the investigation made by the Chongqing Iron and Steel Company, in 1978, the consumption of steel products in various units in Chongqing (not including military industrial enterprises and collective enterprises) totalled 215,000 tons, of which only 20,000 tons or 9 percent were supplied by the Chongqing Iron and Steel Company. As a matter of fact, the company could readily supply 158,000 tons or 73 percent of the total consumption. Thus, an irrational phenomenon occurred. For instance, production and demand drifted apart; the search went far and wide for what was close at hand; and excessive expenditures were paid for freight which could have been avoided. Many enterprises urged that situation be changed. A product-standardizing mill in Chongqing complained that 5,000 tons of V-block (steel products) were needed in the mill every year but they were allocated and transferred from other regions by the material departments concerned. The mill could save 75 yuan or 375,000 yuan a year each ton of freight and management expenses if the steel products were directly supplied by the Chongqing Iron and Steel Company. All this has a very important bearing on lowering production costs and making the products more competitive. To solve these problems thoroughly, we should reform the present economic system of management, break with the conventions that steel products should be distributed in a planned way and the purchasing and marketing be monopolized by the state and increase the circulating channels of steel products; we should break with the conventions that steel products can only be circulated within the administrative divisions or regions; and we should carry out the system of direct supply and let a circulation system develop. In the meantime, the material departments shoudl properly keep goods in reserve and play the role of "cisterns" in circulation.

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ON RESTRUCTURING COMMERCIAL WORK

HK241257 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 8, 15 Aug 80 pp 6-10

[Article by Sun Gangruo [1327 0474 5387] and Tao Fei [7118 3836] "Restructure Commercial Work to Promote Production--Investigation on the Relations Between Industry and Commerce in Changzhou City"]

[Text] The process of social reproduction unifies the processes of production and circulation; circulation here refers to the circulation of social products. From the point of view of the relations between production and circulation, circulation is the motivating force for the continuation of production. In the process of continuous social reproduction, circulation provides raw materials for production and transfers products to consumers. Therefore, circulation and production are an entity and they depend on each other. The development of production depends on the extent of circulation while the expansion of circulation of commodities on the other hand promotes production. The experiences gained by Changzhou City in improving commercial work and correctly handling the relations between industry and commerce show the dialectical relations between production and circulation.

(I)

Changzhou City is situated in the southern part of Jiangsu Province, just in the middle section of the Shanghai-Ningxia Railway. At present, it has 405 industrial enterprises with an annual average growth of 13 percent. Gross industrial output value in 1979 was 3.24 billion yuan, 40 times the figure in 1949. The average per capita output value in 1979 was 8,984 yuan. As industrial production has developed quite rapidly, not only has the city accumulated a large amount of capital but it has also apparently improved the people's living standard: 1) The income of the state has been increased. The state income in 1979 was more than 514 million yuan, 1,200 times higher than the early days of liberation and almost 10 times higher than 1957. Over the past three decades, the city turned over 5.67 billion yuan to the state, the highest average per capita accumulation among big and medium cities throughout the country. 2) the number of employed has been increased. The city has a population of 360,000 with the number of employed comprising over 240,000 or 67.5 percent of the total population. There is virtually

no unemployment in the city. 3) Third, the people's living standard has been improved. The average per capita monthly income is now 31 yuan, more than 3 times higher than 7.2 yuan, the figure for the early liberation days. 4) The market has become brisk. Since the founding of new China, retail sale of social commodities on average have increased by 5.5 percent per year. Total retail volume in 1979 was five times higher than the early days of liberation and twice that of 1957. The development of material production has tremendously changed the life of the people.

(II)

The city's industry is characterized by many locally run enterprises, medium and small enterprises, collective enterprises, processing enterprises and enterprises manufacturing consumer products. The industry has developed rapidly due to the measures taken to organize medium and small enterprises in carrying out coordination for specialization. Such industrial features demand that commercial and industrial departments carry out their duty well and by speeding up circulation, promote exchanges of commodities among enterprises and link all the enterprises into one entity so that the whole process of social reproduction can be carried out smoothly.

The city's commercial and industrial departments have displayed their role mainly in the following two aspects: they have taken active measures to create conditions for production by supplying raw materials and accessories. For example, they have supplied yarn for the textile industry and grey cloth and chemical materials for the printing and dyeing industry. On the other hand, they have expanded sales channels to ensure production. As the city has many locally run enterprises engaged in light industrial and textile production, the commercial departments have to purchase more products from such enterprises. And with the development of production, the variety and quantity of products purchased by the commercial departments has increased every year. More than 300 commercial units have established sales and purchasing relations with industrial departments. In 1979, these commercial units purchased more than 1,200 varieties of local industrial products at a total of 750 million yuan. Of these commodities, 60 to 70 percent were transported to other markets throughout the country while over 90 percent of the fabrics were transported elsewhere with in and outside the province. This shows that the purchasing work of commercial departments is directly related to production, local and overseas markets and the needs of the broad masses of consumers. Commercial departments have also rendered great help to industrial production by supplying commodities to the markets, doing a good job of organizing the economic life of urban people and ensuring the sale of the industrial departments' products. Due to the improvement of their work over the past 3 years, the commercial departments have been able to play an active role in expanding the circulation of commodities and in promoting industrial production. In carrying out the instructions of the 3d plenary session of the party Central Committee: "To combine planning readjustment with marketing readjustment and pay full attention to the role of the market with planned readjustment as the key." In particular, these departments have paid more attention to the objective laws of the socialist planned commodity economy and the various aspects of production by paying

attention to circulation. [HK241259] In this respect, they began by organizing the circulation of commodities and adjusting the relations between industry and commerce, putting into effect the following six points:

1. Products Must Be Marketable

In developing its industry, the city paid attention to producing goods for which there is a ready market. Over the past two decades, it has been able to turn out a number of well-received products, such as corduroy that won a state gold medal, 195 "East Wind" brand diesel engines and hand operated tractors that won silver medals and "Water Moon" brand variegated khaki that is famous at home and abroad. Following the principle of producing what is needed by society, the city's industrial departments took measures to strengthen the competitiveness of the products and quality control of the commodities before they are marketed in order to maintain their reputation. Commercial departments took similar measures to help improve the quality of the products. With these achievements, both industrial and commercial departments proceeded to improve their relations. Commercial and industrial departments often are on opposing sides with regard to the quality and quantity of commodities. The city's commercial departments took the initiative to help industrial departments in the following ways: 1) Know the market: After each commercial management company participates in various supply meetings, they should take the initiative to brief the management departments of industries on the situation and introduce sales and market information to the factories and sponsor activities to select and determine production according to different products. Industry and commerce should arrange for purchases and sales according to the market. For example, department stores hold meetings to select and determine production twice a year. The semiannual sales plan must be arranged earlier so that the plants can make early preparations and arrangements for the task of production while the commercial departments can see the situation of the supply of merchandise early and can sell early. 2) Propose the direction: Exhibits to compare quality of products should be held. Advanced samples and technical information should be provided so that the industrial departments can follow a definite direction in improving quality. For example, the textile companies have collected 298 superior samples from 19 major producing areas throughout the nation and have held exhibits to compare the quality of products of the same category, thus promoting the elevation of the quality of locally produced textile products. 3) Serve as advisor: Commercial departments helped the electrical and communications equipment plants utilize transistors selected after the production of facsimile machines for trial production for 1 month after which time they officially went into production in an effort to open up sources for such products as table top model semiconductor radios and taperecorders needed on the market. In 1979, the commercial departments purchased 20,000 sets. This enriched the market supply and also solved the conflict of an insufficient task of production at this plant.

2. Rational Distribution of Profits

The conflict in the distribution of profits between the industrial and the commercial sectors is often manifested in the price of the products. This is because whether the prices are set reasonably affects the enthusiasm of production and operation and also affects the economic benefits and operation and management of each of the commercial and the industrial sectors. When Zhangzhou City's industrial and commercial departments distributed the profits, attention was paid to starting out from the actual situation and business was conducted through negotiation for reasonable distribution:
1) commercial departments would take less profits when theirs are higher than those of industrial departments. The commercial purchase and sale prices disparity rate of soda was originally as high as 14.3 percent while industrial profit rate was only 3.1 percent. The industrial profit rate was then readjusted to 9 percent and the commercial disparity rate was readjusted down to 8 percent. On the other hand, industrial departments would also make concessions when they found that they are making huge profits while commercial departments are suffering losses. For example, when commercial departments lost profits in marketing three-wheeled vehicles, industrial departments made the concession to increase commercial purchase and increased sale disparity rate from 9.6 to 12.41 percent. 2) In determining the prices of new products, producer prices are generally set high because of the initial costs of product development. Such practice is in the interest of the eventual mass production of these products whereupon production costs will gradually be lowered. For example, the cost of producing the locally made inexpensive cameras was 29 yuan but it was only sold at 35 yuan, with a disparity rate of only 6 percent. With such a sale price, the commercial departments could only recover cost. But industrial departments supplied the market with these cameras under the principle of "selling more with less profit" with good results. 3) For those goods needed by customers and yet their prices could not be normally fixed because of high production costs, commercial departments then readjusted the methods of purchasing and selling by promising factories to directly contact shops or appoint their own agents. Such measure helped cut down circulation and save expenses while at the same time promoting increase production. For example, the locally made quality portable fans are sold for as low as 132 yuan each by agents who receive a commission of 2 yuan for each fan sold. This method of marketing has strengthened the competitiveness of the fans.

[HK241301] 4) Regarding the irrationally priced commodities that factories are not interested in producing but are needed in the market, commercial departments would readjust the prices with approval of the departments concerned in the interest of industrial departments. For example, a plastic sandal factory suffered losses and was forced to stop production for 7 months following readjustment in the prices of the sandals. Commercial departments then carried out investigations, and with approval of the departments concerned, they again readjusted the prices so that the factory could make some profit. Displaying its initiative, the factory resumed production and produced 760,000 pairs of sandals instead of the 400,000 which were originally planned. The factory not only expanded production, but also enriched the market.

3. Adequately Supply Raw and Other Needed Materials

The Changzhou Corduroy Factory once urgently needed rose-red dyestuff to produce rose-red corduroy but it could not get it from commercial departments. As a result, this color corduroy was out of stock for over 2 years. This served as a lesson for the commercial departments which came to realize that the supply of raw materials to production departments is the core for smooth production. With this understanding, commercial departments paid more attention to organizing the supply of raw materials. The basis of the city's printing and dyeing industry was formed only after 1970, with comparatively backward management and technology. Its annual dyeing capacity was only 260 million meters. But with more small printing and dyeing factories built in many places over the past 2 years, grey cloth and other printing and dyeing materials were in short supply. To solve this problem, commercial departments [word illegible] organized the supply of several hundred thousands meters of grey cloth and several thousand tons of chemical dyeing and auxiliary materials through various channels to meet the needs of the industry.

4. Organize the Purchase of Products Well

Industrial and commercial departments changed their operating method from "selling according to production" to "producing according to selling." Some products not in demand in the market were kept in the warehouses of both industrial and commercial departments in order to ease both production and circulation. There developed a major contradiction between the two departments as to whether or not they could handle such products in due time. The commercial departments then took the initiative and helped industrial departments sell the products. In this way, industrial departments had less of a burden and had more capital for production. The commercial departments did this in the following ways: 1) They sold the stockpiled goods of the industrial departments as long as they were still salable even when they themselves had an excess of such goods. 2) They purchased and tried to sell unsalable goods that were stockpiled in the two departments while they discussed ways that could best change the production of the goods. 3) They tried to sell unsalable goods produced by the factories that could not, for the time being, shift to producing goods that were easier to sell.

At the same time, they discussed with the industrial departments how to help the factories improve or change their production. The industrial products purchased by commercial departments are no longer stockpiled since they practiced the method of "producing according to selling" beginning last year.

5. Do a Good Job in Circulating Goods

We must do a good job in expanding the circulation channels for commodities. While market situations changed drastically in 1979, wholesale commodities were overstocked which affected capital turnover and production. The commodities commercial departments took the following measures to expand the circulation of the commodities: 1) The holding of commodities regulating fairs to solve the stockpiled goods of the wholesale units in consumption areas. In addition, commercial departments took all responsibility for the return, readjustment of supply and compensation of all the fabrics turned out by the city to encourage wholesale and retail units to accept more goods. 2) In order to expand circulation, the city's industrial and commercial departments organized their staff in 1979 to sell their products in over 20 provinces and municipalities throughout the country. The fabric selling stations sold over 2 million meters of polyester khaki in Yunnan Province and other places netting over 7 million yuan. 3) Commercial departments investigated the situation in rural areas to expand sale and catalogued hardware, electrical accessories, chemical and other material products for big, medium and small supplying and marketing cooperatives. As a result, the 145 cooperatives in economic zone are able to expand their commodities to 300 to 400 varieties. The value of daily used industrial products supplied by commercial departments to the cooperatives in 1979 was 30 percent higher than 1978. According to their different nature, some goods are purchased by purchasing stations, some are transferred to wholesale units while some others are sold by retail units. Large quantities of products made within the province and marketed throughout the country are purchased by the second grade stations while the rest are transferred to wholesale units. Some new products are directly sold by the factories to shops. Such measures helped lessen the links of circulation, shorten circulating period, are more convenience for the production departments and display the initiative of retail enterprises.

[HK241305] 6. Increase the Number of Commercial Points

Commercial retail points are the last links of circulation. In order to follow the development of production and people's living standard, the city took various measures to add more retail points and bring more conveniences to the people. As a result, an additional 500 retail shops were set up in 3 to 4 years, almost doubling the number of the existing ones. Based on the whole population of the city, there are now about 3 retail shops for every 1,000 people. This situation not only brings conveniences to the people but also expands the sales volume of commodities and promotes production.

(III)

From the enormous work done, the city's commercial and industrial departments have gained the following main experiences:

First, the relations between industrial and commercial departments can be adjusted well as long as the objective law of commodity economy is followed in organizing the production and circulation of commodities. In organizing economic activities, the city realized through positive and negative experiences that once they paid attention to circulation, production would develop; but when they neglected circulation, production was adversely affected. The concept of "purchasing what is produced in volume according to production quantity" was once very popular. This idea in fact denied the role of circulation as well as production. The "gang of four" criticized the "theory of circulation as the deciding factor" to completely deny the role of circulation. Such criticism was in fact a typical example in denying the objective law of commodity economy. It shows that we must in no way follow the subjective reasoning in handling the relations between industry and commerce. The city has paid much attention to grasping at the same time both production and circulation. In carrying out the national economic principle of "readjusting, restructuring, consolidating and improving," the city paid proper attention to circulation, through which it grasped the development of production. For this purpose, the city party committee set up a leading group for coordinating industry and commerce in order to balance the relations between supply and sale and to coordinate industry, commerce and trade. Regarding industry, the city decided that production must serve the markets and consumers, while the sales volume could be increased by lowering the costs. The city also decided that it must have its own "ace" products and other products which have strong competitiveness. In coordinating the relations between industry and commerce, it paid attention to its role in circulation. In its efforts to make itself a reliable "commercial management department" for the production departments, the city, basing itself on its commercial features, relied on its own advantages to link all production units.

Second, whether or not the interests among industry, commerce and enterprises are handled well is a key question on how well the relations between industry and commerce are handled. The economy of our country is the socialist commodity economy which is developed in a planned way. We also have to acknowledge that because of the relations of commodities and currency, objectively there exist different economic interests among enterprises. Therefore, we must pay attention to the economic interests of each enterprise. Under the existing price management system, industry, commerce and enterprises do not have the right to change the prices of commodities. But on the other hand, they have, through the role of the law of value, to readjust the supply and demand of commodities so as to promote production and meet consumers' demands. Industry and commerce are often in conflict with each other because of the distribution of profits. In fact, there are many reasons for this conflict, such as irrational pricing and tax systems that must be gradually resolved through the restructuring of the whole economic system. Another reason involves the question of how to rationally

handle the interests of industry and commerce. In handling economic interests, the city's industrial and commercial departments paid attention to the importance of distributing profits rationally and they respected each other's economic interests. They did not "eat out of the same big rice pot," yet they paid attention to developing production and promoting sales. Such measures were important in handling well the relations between industry and commerce. It can be said that the relations of economic interests, the amount, prices and quality of commodities, the contradiction between purchasing and selling, the question whether the industry is willing to produce and the commerce is willing to sell...all these questions are controlled by the inner law of commodities, that is the law of value. Therefore, so long as the interests between industry and commerce are handled well according to the law of value, conflicts between industry and commerce can be resolved.

Third, to coordinate well the relations between industry and commerce according to the inner law of economic activities and make these relations systematic is an effective method of organizing economic activities in accordance with an economic method. Some products in the city are circulated according to contracts between industrial and commercial departments so that state planning can be based on these contracts. At the same time, these departments constantly summed up the experiences in handling well their relations and systematized the most efficient method so that their annual planning are based on the balances of quarterly and monthly plans. [HK241307] Since the city's printing and dyeing industry began operation in 1964, the industrial, commercial and trade departments have held regular "contact meetings" in order to balance the relations of production, supply and sale. Industrial and commercial departments also jointly held two meetings yearly to decide on the production of general merchandise and implement the related contracts. They also set up the system for examining and receiving goods and for quality control by examining the goods. All these constituted an important experience for the city in handling well the relations between industry and commerce.

Fourth, to develop various purchasing and selling forms according to production and expand channels for circulation of goods are ways to actively develop the relationship between industry and commerce. For many years, our country has only a single channel for circulating goods, a single purchasing and selling form and a single economic composition. Such a situation does not accord with the level of specialization of production. As a result, the circulation has been partly hindered which effects production of commodities. The city paid much attention to developing circulation while at the same time developing production. In coordinating the relations between industry and commerce, it also strived to diversify economy, establish more forms of purchasing and selling, expand circulation channels, improve the capability of reserving and transporting goods and expand the sale of commodities to ensure that all the commodities can be constantly marketed. In addition to developing state commerce and supply

and marketing cooperatives, the city also developed collective commercial departments with independent accounting and sole responsibility for their profits or losses. The number of the collective commercial points in 1979 made up 34 percent of the city's total commercial points. The city also approved the establishment of 175 "third generation shops" and shops run by factories. It also issued licenses to over 300 cooperative groups and individual shopkeepers. Free markets for trading small industrial products have been set up. All these measures not only brought conveniences to the masses of the people and expanded sale but also constituted vigorous commercial support for industrial production.

CSO: 4006

ROLE OF BANKS IN EXPANSION OF ENTERPRISE AUTONOMY

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 5, May 80 pp 8-11

[Article by the Chengdu Branch of the Chinese People's Bank: "A Discussion of the Role of Banking in Expansion of Enterprise Autonomy"]

[Text] The experimental work in expanding enterprise autonomy is the prologue to reform of our economic system. Although this reform is in the initial stages, nonetheless it has far reaching significance for the national economy in effecting profound changes in the production, exchange, distribution and consumer links, and in promoting changes throughout management systems and in management methods. Banking is a comprehensive component of the national economy, the core of national financial activities, and has an intimate relationship with enterprise economy. After expansion of enterprise autonomy is accomplished, just what role will banking perform? The following is a preliminary, retrospective study of our work experiences over the past year.

Establishing a Correct Relationship Between Banking and the Reforms in the Expansion of Enterprise Autonomy

We have gone through a relatively complex process in understanding the problems in the expansion of enterprise economy. In the fourth quarter of 1978, Chengdu initiated experimental work in autonomy expansion. At that time our cases of experimental autonomy expansion showed us that the only necessary direct relationship with banking was in implementing full loans. Because the concerned parties had not cleared their accounts the full loans could not be granted, so there was an even greater feeling of not knowing what to do. It seemed as though expansion of enterprise autonomy had little to do with us. Before long, however, problems soon came knocking at the doors of the banks. First, there was the problem of how to handle award payments for expansion of enterprise autonomy, and following that there was the great demand for loans to expand enterprise autonomy as well as new problems arising from cash receipts, settling of accounts and bank accounts. Contradictions appeared unexpectedly, often in great droves, and because we lacked ideological preparation, for a long period of time we had a thorny situation confronting us.

Last year, we conducted a total of four investigations to clarify the relationship of banking work and the new developments in enterprise autonomy expansion. After the investigations, we realized that expansion of enterprise autonomy has three major goals: 1. The implementation of greatly increased production and the relatively faster development of the production forces to satisfy daily increasing social needs. 2. To realize greatly increased income and obtain greater economic results to provide greater accumulation for society. 3. To use the foundation of increased production and increased income to make a rational distribution which provides the state with more income, the enterprise with more reserves and the individual with greater abundance, and thus promote positivism in all areas. In order to accomplish these goals the state has given the enterprises appropriate economic powers, primarily: specified autonomy in product sales; specified authority for use of capital; specified authority for distribution of benefits. We clearly saw that after being granted these economic powers the enterprises produced a strong economic drive which occassioned profound changes in economic management and economic results, as well as in the spirit of the cadres, workers and staff. At the same time, the experimental expansion of enterprise autonomy touched upon the upper level management organs of all departments and had far reaching significance for promoting reform of the entire socialist economic system, for perfecting socialist production relationships, and for hastening implementation of the four modernizations. Banking ought to and is completely capable of taking part in and making a contribution to this highly significant economic reform. Banking possesses powerful economic devices, so that upon completion of the step-by-step reform of the management system and methods, it can then make progress in strengthening these economic devices and make thorough use of such economic levers as loans, interest, currency, and settling accounts to support and promote the experimental work of expanding enterprise autonomy. From this we see that banking ought to seize upon the vigorous momentum following the expansion of enterprise autonomy, seek truth from facts, and act positively in providing guidance and initiative in making the adjustments. After going through the three stages of "not knowing where to start," "facing thorny problems" and "acting positively," we then began to correct the relationship between banking work and expansion of enterprise autonomy, and moreover, focused our work on the words "lead toward benefits and inaugurate adjustments."

Three Aspects of Banking Adjustments

Banking's role in adjusting the economy is to apply the leverage it possesses in economic development and technological renovation. Banking adjustments imply guidance, coordination and control, and these are guidance of expansion of enterprise autonomy on the basis of completing the national plan, coordinating the expansion of enterprise autonomy with all its various economic relationships, and control of economic activities which do not follow the rules of socialism.

1. Adjust Commodity Production and Promote Increased Production According to Social Needs.

The major question which decides the success or failure of the experimental expansion of enterprise autonomy is whether or not we can attain great increases in production. Last year, quite a number of our city's enterprises with expanded autonomy had decreased production responsibilities which led to such problems as poor sales of some products, which then affected the production increases of these enterprises. Should the enterprises be controlled within the scope of the production plan by application of the old restraints? That won't do because the goal of expanded autonomy will not be attained. Should there be total freedom, letting the enterprises produce only expensive, profitable products and simply wait for the law of supply and demand to make market adjustments? This, of course, won't do either, as it is devoid of socialist principles. Our chosen direction is based on the socialist laws of economics and on adjustments to the national economy. These provide guidance for the enterprises to utilize the already unleashed production forces in correctly exercising autonomy in production and marketing, and to determine production directions and expand production flow according to social needs. If the commodities are needed by society then use value and price are easily implemented. All that is necessary is for banking to encourage the enterprises to have a solid grasp of this direction and production will then have a dependable base. In this way, there will be effective rather than blind efforts to increase production. Over the past year we employed all possible methods in making relatively extensive study and analysis of the conditions in social needs for the major and key commodities involved in expansion of enterprise autonomy. From this basis we then opened up or cut back on loans, applied or restricted our settling of accounts or handling of cash receipts to adjust enterprise commodity production.

In Chengdu, one cotton textile printing and dyeing mill previously had a limited product line which was quite unsuited to market needs. After autonomy expansion, the mill developed motivation and a zeal for endeavor. Product quality improvement and product variety required the preparation of certain conditions, including the problem of severe shortages of cotton reserves caused by having the capital necessary for the purchase of raw materials tied up in semi-finished and finished products. We grasped the opportunity and used all possible means to assist the enterprise in freeing up over five million yuan of improperly used funds and at the same time gave them a three million yuan loan, which supported increased enterprise purchases of raw cotton and enabled them to increase cotton reserves from a five day to a two month supply. A basic variety of raw cotton types was purchased, which improved product quality and increased product variety, thus ensuring that the goods would be used. With help from banking the enterprises used all possible methods to increase production of quality, low priced commodities needed on the market. Product variety increased from over 100 to over 300 types and product quality also made marked improvements. We not only provided loans in support of the plant's trial manufacture, production and marketing of new products, but also made responsive use of account settling methods and improved capital management methods which were suited to tne needs of expanded enterprise production and marketing.

Because of adjustments to the national economy, some of the metal refinery and machinery industries must now yield the right of way. However, there must be concrete analysis of specific enterprises and specific commodities, and as is always the case, "there are disadvantages in advantages and advantages in disadvantages." The expansion of enterprise autonomy must also include promotion of increased production which is made in adcordance with the overall adjustments to the national economy. Take, for example, one seamless steel tubing plant in Chengdu. Last year, the state planned production of seamless steel tubing was eight percent lower than actual production figures for the previous year and 17 percent lower than the enterprise's own set goal. Moreover, there were deficiencies in marketing and sales, so that there were glaring contradictions. We and the enterprise made an analysis of China's production requirements in stainless steel tubing, and felt that because our needs for such products are rather small and because some products still had to be imported from abroad, the problem was that the plan did not coincide exactly with this plant's product specifications, so they could not respond to the demand. On the one hand, we made this known to the concerned departments and re-established balance in the state's manufacturing and marketing plan, and on the other hand we vigorously supported a transfer to production of commodities meeting user requirements and thus boosted enterprise orders for products by over 30,000 dun. We realistically provided positive support for autonomous production and sales and this plant then moved from a condition of a potential two month shutdown into full capacity production. The year's production of steel tubing was increased 11.6 percent over the previous year and profits increased by 31 percent, thus making progress in implementing the adjustments.

In adjustments to commodity production, banking not only provides guidance and encouragement, but also performs a controlling and supervisory role. For example, in one Chengdu phosphate fertilizer plant (an expanded autonomy enterprise), when providing support for increased production of phosphate fertilizer to meet farm production needs, loans to a nickel steel shop were stopped; this caused a lack of raw materials, technological inadequacies, and low quality, so there were no sales but rather severe losses and the shop shut down. Another example in Chengdu is an expanded autonomy plant which produces bai fen biao [4102 0433 5903] whichare of good quality. Last year, the state included it in the production plan, nonetheless, because the social need for this product was already filled, the plant accumulated a huge surplus, so we used the method of credit restrictions to force the enterprise to strengthen marketing and also reduced production of this product and gradually changed to production of other products required by society.

2. Strengthen Economic Management and Promote Increased Revenues According to the Law of Value

Commodity production should strive to make the value of the individual commodities lower than the social value, the greater the difference the greater the profits. Only by respecting the law of value, promoting enterprise autonomy to strengthen management of capital, materials,

costs, and profits, by strict economic accounting, and by ceaselessly decreasing consumption of embodied labor and living labor can we gain full economic results and enable the enterprises to achieve relatively greater income. While we are adjusting the direction of commodity production we can focus the leverage of credit on strengthening enterprise management and accelerating capital turnover. Accelerated capital turnover signifies an accelerated movement of materials in the production and distribution processes, shows a reduction in consumption of social labor and is beneficial in reducing costs and increasing profits. For many years now one of the important functions of loan work has been to assist the enterprises in strengthening management, but it was always a case of half the results from twice the effort and little effect was produced. The easier problem was the separation among enterprise rights, responsibilities and interests, so that strengthening of management could not bring any real economic benefits to the enterprises. After trial expansion of autonomy, because of the close relationship between management results and the enterprise's economic interests and the close connection with material incentives for the staff and workers, management initiative was strengthened and banking correctly suited its measures to the circumstances; all of this worked to produce observable results.

During the first year of expanded autonomy one steel mill encountered such problems as insufficient production duties, products unsuited to market needs, increased fuel costs and a cut in the quota allowance, all of which seriously threatened the plan for increased production and increased income. The mill leadership put their main energies into locating new sales outlets and expanding production. This was the correct path, although they paid inadequate attention to the problems existing in enterprise management. While banking was giving support to the enterprise in adjusting product direction it simultaneously carried out an investigation of the outstanding bills, the uninventoried stockpiles of materials, the chaotic contract managment and the confused business transactions in order to provide a relatively accurate basis of facts and figures from which to make a report to the mill leadership, whose support they gained in devising a management system with three features. The first feature was a strengthening of contract management to ensure on-time fulfillment and reduce the confusion in business transactions. The second was to strengthen the sentry post responsibility system of the financial affairs and supply and marketing departments in order to place the capital turnover within the scope of the fixed bonuses, to motivate the enthusiasm of the staff and workers, the prompt organization of product shipment and receipt of payment, to accelerate capital circulation and to reduce loans by three million yuan. The third feature was to aid in establishing a section to estimate stock on hand and also be responsible for keeping track of the quantities entering and leaving the shop, thus avoiding losses. Making internal estimates of materials used will reduce consumption of raw materials. These three systems played a positive role in attaining the 26 percent increase in production value over the previous year and the 73.8 percent increase in profits.

During the past year we correctly provided leadership according to conditions and motivated the enterprises to adopt a sound management system, to start using overall economic accounting. We started the use of economic activity analysis to first reveal and then harmonize the imbalanced conditions existing in materials movement in the enterprises' production turnover process and shorten the period of materials turnover. We undertook to assist the enterprises in uncovering the potential of their materials and capital and to accelerate capital turnover in the three features, promoted increased production savings and strengthened management, so that there was a relatively large increase in income.

3. Carry Out Effective Supervision and Promote Correct Profit Distribution According to the Principle of the "Three Considerations."

After the expansion of enterprise autonomy has increased production and income, it is extremely important that the principle of the "three considerations" be followed in making better coordination of the interests of the whole and the parts, the collective and the individual and the future and the present. In these areas the adjustment role of banking is primarily as follows: (1) To supervise the enterprises' on-time payment of taxes and depreciation funds and thus guarantee that the state has increased income. (2) To coordinate the overall enterprise planning in retaining enterprise funds. (3) To lead the enterprise in carrying out the principle of distributing to each according to his labor and in following the guidelines determined by the state for awarding bonuses and increasing wages for staff and workers.

In the past there was insufficient concern for whether or not enterprises made on-time submission of profits. Their attitude was that this was the concern of the finance department. Since last year, in order to guarantee increased income for financial administration and guarantee that the enterprises make on-time collections of enterprise funding, we began to help the enterprises in making overall arrangements for their capital, strengthening vital adjustments of their capital, organizing their income, and making a rational arrangement for payments, thus ensuring loan repayments and on-time payment of revenues. As for the profits actually realized from the use of usual production goods and materials, banking has put it into temporary circulation in the form of required loan funds. In this way increased state revenues are guaranteed, enterprise normal production activities are supported and the funds held by the enterprises are put to use. Both the financial administration and the enterprises are satisfied.

After expansion of enterprise financial autonomy, one of the major tasks of banking was to help the enterprises with overall arrangements for their retained funds, to tap, reform and transform the key projects and develop enterprise production forces. The enterprises with expanded autonomy met social needs with renewed production forces, and when there was insufficient funding to develop production we granted short term and mid term loans for equipment. During the last

year some of the enterprises that we helped by providing funds for overall arrangements in production development actually saw results from the investments that very same year and increased their income. Take a certain cotton textile mill for example; after expansion of autonomy there was increased capital for production developments so they made overall arrangements to tap, reform and transform their projects and to add a short-staple printing and dyeing production line, which not only had a positive effect in increasing production and profits that very year but also laid a base for increased production and income this year. This year a new polyester-cotton print- and dyeing production line was added. It required a relatively large investment and enterprise production development funds were inadequate. We conducted an investigation to clarify the situation and according to enterprise needs arranged mid term and short term equipment loans. It is estimated that after this production line goes into continuous operation it will advance the plant's profits for this year by 30 percent over last year's base, and that next year's production will again increase 20 percent over this year's base. After one year the taxes and profits paid to the state by one cotton textile mill will be sufficient to construct two comparable cotton textile plants.

As for the use of funds to reward expanded autonomy enterprises, we are in no hurry to reach a conclusion on which awards to issue and which not to issue, and neither are we going to simply use past management methods which were so restrictive of the enterprises' rights to make awards. Rather, we shall make a sincere investigation of the nature and function of the award categories, investigate the features and existing problems along with their solutions and guide the enterprises toward operating under the principle of the "three considerations," make distribution according to one's labor and rationally make awards. This helps the enterprises which are making reasonable use of award funds and are clearly promoting economic results to sum up and disseminate their experiences. The principles to grasp in making awards to expanded autonomy enterprises are:

(1) Respect the self-determination of the enterprises in granting awards, letting them make their own arrangements within the stipulated rules without overemphasizing the need for obtaining upper level permission. (2) Each award should be first suggested and then applied. When collecting the award from the bank the economic results and technological goals should be provided for examination. (3) All awards paid from enterprise funds should be determined by the enterprise. The total amount of each award is determined by the appropriate rules. All individual awards which are figured as costs should gain the approval of the financial oversight organs before the banks issue payment. In order to avoid any contradictions in award payments we always put work in the forefront and join with the enterprise in conducting preliminary studies and then proceed realistically according to the regulations in making determinations. In this way respect is shown for enterprise autonomy while controls are not relinquished, so, generally speaking, expansion of enterprise autonomy is quite satisfactory.

1. Banking must have certain authority in order to wield its adjustment function. Since last year banking has emphasized independent authority in granting loans according to economic contracts, while firmly supporting the principle of selecting the best supplies, which then permits a certain degree of organic unity between plan adjustments and market adjustments. Under the guidance of the state plan the enterprises expanded their independence in production and marketing with banking at the center in its role of making adjustments. This resulted in promotion of production developments and enlivened the economy. In addition, basic level banking directly performs all sorts of financial services, assumes actual economic tasks and plays a role in adjusting all sectors of the economy. Because of this, it is necessary to work under the centralized leadership of the head bank in giving basic level banking the right to independently handle concrete problems, as it is disadvantageous to employ the previous methods of stultifying overall controls which restricted all actions.

2.There Must Be Skilled, Comprehensive Use of Banking's Various Devices. The expansion of enterprise autonomy brought with it broad ranging economic changes and influences which touched not only on banking's credit services but also made new demands of management work in deposits, loans, account settling, savings, cash reserves and wages. Bank work must be "alive" to "changes" in the enterprise system. We must make a gradual, guided reform of banking's present rules and regulations in order to make a suitable response to the changes made by expanded enterprise economy. There must be even more skilled use of banking's economic devices such as credit, interest, currency and account settling, including its role in reporting conditions, to bring about smooth progress in economic reforms. The various devices in banking are not isolated but have mutual internal connections, so there ought to be comprehensive utilization of these devices. When the enterprises engage in autonomous production and marketing, banking not only provides leadership through their method of loosening or tightening credit and making adjustments to enterprise organization of production according to social need, it also must use the devices of settling accounts and cash reserves in coordination with loans to either promote or make restrictions. Consequently, all of the functions and departments in banking must wholeheartedly cooperate in making full use of banking to promote economic reform and development.

3. There Must Be Realistic Studies and Research, Attention to Discovering New Problems, and Firm, Unwavering Implementation of Economic Reforms. Economic reform is a process of affecting the whole by moving one part. This stimulates a multitude of connected responses, which may produce a great many new problems, and all of this is closely related to banking. Therefore, we definitely must liberate our thinking, focus on strengthening leadership, making deep investigations, carrying out detailed investigations, stepping up concrete analysis, and making on-time responses in order to be expert in making the right decisions and making full use of banking.

11582
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FINANCE AND BANKING

'TA KUNG PAO' CARRIES CHARTER OF BANK OF CHINA

HK201417 Hong Kong TA KUNG PAO in Chinese 13 Oct 80 p 3

[ZHONG-GUO-XIN-WEN-SHE (China News Service) 12 October dispatch from Beijing: "Beijing Promulgates Text of 'Charter of Bank of China'"]

[Text] With the approval of the State Council, the revised "Charter of the Bank of China" has come into force upon promulgation on 22 September. The full text follows:

The charter of the Bank of China Chapter One. General Principles

Article I. The Bank of China is a socialist state enterprise and a PRC state bank specializing in foreign exchange business.

Article II. The tasks of the Bank of China re: to organize, utilize, accumulate and manage foreign exchange funds; to engage in all kinds of foreign exchange business and international financial activities, and to participate in the socialist modernization.

Article III. The head office of the Bank of China is in Beijing. In accordance with the needs of its business, the bank's branch or representative offices are established in important domestic and foreign trade and financial centers.

Chapter Two. Capital

Article IV. The Bank of China is capitalized at 1 billion yuan.

Chapter Three. Business

Article V. The Bank of China engages in and can be entrusted with the following professional work:

1) Settling international accounts concerning foreign trade and nontrade business;

2) Making deposits and loans with international banks;

3) Conducting overseas Chinese and international remittance business;

4) Making foreign currency deposits and loans and those Renminbi deposits and loans involved in foreign exchange transactions that have been approved by the People's Bank of China;

5) Buying and selling international gold;

7) Organizing or participating in international bank credits;

8) Investing or participating in joint investments in banks, finance companies and other enterprises in foreign countries, Hong Kong and Macao;

9) Issuing foreign currency bonds and other negotiable securities with state authorization;

10) Handling trusts and giving advice;

11) Carrying on all other banking operations that have been approved by and entrusted to the state.

Article VI. The Bank of China attends international financial meetings upon receiving state authorization.

Article VII. All organizations established by the Bank of China in foreign countries, Hong Kong and Macao can carry on all banking operations that are permitted by their local laws.

Chapter Four. Organization

Article VIII. The board of directors of the Bank of China comprises one honorary chairman, one chairman and a certain number of vice chairmen, executive directors and directors, all of whom are appointed by the State Council.

Article IX. The following are the tasks of the board of directors of the Bank of China:

1) To examine and approve the bank's business policy and planes;

2) To listen to and examine work reports made by the bank's president;

3) To examine and approve the bank's annual plans for final accounting of revenue and expenditure and for handling profits;

4) To appoint and remove the bank's senior staff;

5) To examine and approve the establishment or the withdrawal of the bank's branch offices inside and outside China;

6) To examine and approve the bank's other important matters.

Article X. The supervisory committee of the Bank of China comprises one chief supervisor and a certain number of supervisors, all of whom are appointed by the State Council.

Article XI. The following are the tasks of the supervisory committee of the Bank of China:

1) To supervise the bank's implementation of state policies and decrees and the business policy adopted by the bank;

2) To examine the bank's annual statistical tables and reports on final accounting of revenue and expenditure;

3) To investigate vital cases and to express views on handling such cases.

Article XII. The Bank of China has one president and a certain number of fice presidents who are all nominated by the chairman of the board of directors and approved by the board of directors. The bank's board of directors then reports the nominations to the State Council and asks the State Council to appoint them.

Article XIII. The president of the Bank of China is in charge of the entire bank's management-level work and regularly makes work reports to the board of directors. The bank's vice presidents assist the president in carrying out his work.

Chapter Five. Meetings

Article XIV. The board of directors of the Bank of China holds a meeting once a year. The chairman of the board of directors convenes this annual meeting.

The supervisory committee of the Bank of China holds a meeting once a year. The chief supervisor of the supervisory committee convenes this annual meeting.

If necessary, the above-mentioned meetings can either be held ahead of schedule or postponed to another time. If necessary, the chairman of the board of directors can convene a joint meeting of the board of directors and the supervisory committee.

Article XV. Meetings of the board of directors and the supervisory committee and joint meetings of the board of directors and the supervisory committee must be attended by at least two thirds of their component members (including entrusted representatives). Before taking effect resolutions must have the approval of at least half of the participants at such meetings.

Chapter Six. Supplementary Article

Article XVI. This charter will come into force after having the approval of the State Council. When revising this charter, it is also necessary to have the approval of the State Council.

CSO: 4006

BRIEFS

BANK CONFERENCE IN SHANGHAI--The China People's Bank on 15 October held in a conference in Shanghai to sum up experience in bank savings work. It is being attended by representatives from Beijing, Tianjin, Guangzhou, Wuhan and other six municipalities, who are discussing how to further improve savings work and restore prize, savings for house purchase and building and check savings accounts. It is scheduled to conclude on 25 October. [Shanghai City Service in Mandarin 2300 GMT 15 Oct 80 OW]

CSO: 4006

BRIEFS

BEIJING COLLEGE BIOGAS RESEARCH—Beijing, 18 Oct (XINHUA)—China's first pure culture of the methane-producing bacteria methanosarcina SP has been produced by the biological department of Beijing Teachers' College, the department announced today. A 150,000-yuan research program to apply the bacteria to the production of biogas on a commercial scale is now under way with the cooperation of the Beijing Scientific and Technological Association. The bacteria were isolated from a series of microorganism that multiply during biological fermentation. The Qingdao Nightsoil Treatment Plant is already using a mixture of methane-producing and heat-resisting bacteria to produce biogas. Yang Xiushan, an assistant lecturer at Beijing Teachers' College, said: "The enrichment culture and pure culture of methanogens are crucial to the study of methanogenic bacteria and the mechanism of methane production. The success in the isolation culture of methanosarcina SP will give an impetus to research in this field." He said its application could raise the output of biogas by many times. [Beijing XINHUA in English 1253 GMT 18 Oct 80 OW]

CSO: 4020

Petroleum

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TITLE: "Classification of Sedimentary Basins"

SOURCE: Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 3, Jul 80 pp 1-6

TEXT OF ENGLISH ABSTRACT: Classification of sedimentary basins is akin to the purpose of investigation. Therefore, it varies a lot. Our chief interest is laid mainly upon the kind of sedimentary deposits that are relevant to the genetic history of sedimentary basins. To meet this end, we have first differentiated the temporal sequence relationship between sedimentation and basin-forming, and second have given due consideration to the genetic processes of sedimentary basins. Our scheme of classification is roughly as follows:

A. Antecedent Basins:
 A_1. Subaerial antecedent basins;
 A_2. Subaqueous antecedent basins;
B. Growth (or syndepositional) basins:

[Continuation of SHIYOU XUEBAO No 3, Jul 80 pp 1-6]

B_1. Flexuring growth basins;
  (a) Thin crust flexuring basins;
    (1) Lavatic basin;
    (2) Eugeosynclinal basin (antecedent basin in its early stage of development);
  (b) Thick crust flexuring basins;
    (1) Platform basin;
    (2) Parageosynclinal basin;
    (3) Miogeosynclinal basin;
 B_2. Fault growth basins:
  (a) One-side fault growth basin;
  (b) Two-side fault growth basin;
C. Secondary Basins:
 C_1. Fault-subsided basin;
 C_2. Remnant synclinal basin;
 C_3. Intermontane basin.

The role of tectonics and the temporal sequence of development and evolution of various sedimentary basins are discussed in this paper. The direct driving force of basin-forming was thought to be in some way connected with local variation and displacement of subcrustal materials.

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TITLE: "The Tectonic Framework and Petroleum Prospectivity of Pre-Mesozoic in the Northern Part of the Eerduos (Ordos) Basin"

SOURCE: Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 3, Jul 80 pp 7-17

TEXT OF ENGLISH ABSTRACT: When conducting oil and gas exploration in the Pre-Mesozoic in the northern part of the Eerduos Basin, it should be borne in mind that the basin was once a continental margin. Based on the structural setting in the different stages of tectonic movement, the author divides the region into five structural units from west to east as follows: the Helan fold zone, the Tianhuan synclinal zone, the hinge zone, the monoclinal zone and the Wulanger uplift.

When exploring for oil and gas in the northern part of the basin, the following poinst should be given proper attention:
1) from Ahuzishan to Majiatan, keep an eye on the structure there which is a hinge zone from a slope leading to a deep trough, and from Shanyanjing to Bujianghai fault-depression zone, on the hidden unconformity surface at the

[Continuation of SHIYOU XUEBAO No 3, Jul 80 pp 7-17]

bottom of the upper and lower Paleozoic and the Shihezi formation;
2) notice the uplift of the lower Paleozoic from Qingyang to Wushenqi and also the middle section of the Helan fold zone;
3) the possibility of the Wulanger uplift being a petroliferous buried hill.

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TITLE: "On Log-Data Processing of Fractured Carbonate Reservoirs"

SOURCE: Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 3, Jul 80 pp 19-32

TEXT OF ENGLISH ABSTRACT: This is a study of fractured carbonate oil and gas reservoirs, based on data from actual practice and on a geological model with both a fracture solution cavity system and a porous matrix, with particular emphasis on the different effect of the two systems on fluid flow and the resultant heterogeneity of the influx of filtrates into the pay. A more practical resistivity equation is thus derived as well as the method of finding out the porosity exponent of fractures M_2. Methods of calculating porosity and saturation of the fracture-solution cavity systems under varying saturation conditions are also discussed and are found to be useful in understanding the capability and permeability of the reservoirs, predicting oil and gas well performance and determining the gas-water surface of the reservoirs. They have been applied in some wells for demonstration and analytical purposes.

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TITLE: "Numerical Simulation Study of Water-Flood Performance in a Stratified Oil-Wet Sandstone Reservoir"

SOURCE: Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 3, Jul 80 pp 33-48

TEXT OF ENGLISH ABSTRACT: Based on the analysis of abundant field data, the authors have built nearly a hundred simulation models and executed the related numerical calculations. The vertical water-oil displacement in the stratified oil-wet sandstone reservoirs has been studied by analyzing the dynamics of gravitational, capillary and driving forces and the effects of main reservoir characteristics, and from the results obtained in this study interpretations of the character and mechanism of water invasion in some reservoirs in China can be made.

Simulation studies reveal the fact that there exist wide differences of the

[Continuation of SHIYOU XUEBAO No 3, Jul 80 pp 33-48]

water-oil displacement mechanism between the oil-wet and the water-wet porous media. The paper points out:

1. Regarding the effect of heterogeneity of the reservoir: Quite different characteristics of water-oil displacement can be found due to different vertical permeability distribution. In a positive rhythmic reservoir, the greater the vertical permeability difference, the faster the water channeling, the smaller the thickness of pay flooded, hence the poorer the result of development; on the other hand, in a negative rhythmic reservoir, large difference of vertical permeability will, on the contrary, give better results. The oil-wet nature of the formation makes the difference between the two cases even more prominent.
2. With respect to the mechanism of gravitational, capillary and driving forces: The relationship of waterflood performance and scaling factors of the ratio of gravitational and capillary force is found, and then the effect of the permeability and the thickness of the reservoir on the water-oil displacement is depicted.
3. Regarding the effect of oil-water viscosity ratio: On water-oil displacement it is dealt with both microscopically and macroscopically, i.e., microscopically, increase of this ratio leads to a decrease of displacement efficiency and macroscopically it tends to reduce the sweep thickness. The dominance of one over the other depends on the vertical permeability distributions

[Continuation of SHIYOU XUEBAO No 3, Jul 80 pp 33-48]

and other characteristics of the reservoir rock.
4. Increasing the production rate to within the practically possible range in a stratified oil-wet reservoir will essentially have no effect on its recovery factor.

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TITLE: "Experimental Verifications on 'A New Hyperbolic Model Equation for Yield-Pseudoplastic Fluids and Related Pressure Drop Formulas'"

SOURCE: Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 3, Jul 80 pp 49-57

TEXT OF ENGLISH ABSTRACT: Experimental works have been carried out in three respects to verify those theoretical formulas in the paper entitled "A New Hyperbolic Model Equation for Yield-Pseudoplastic Fluids and Pressure Drop Formulas." As compared with the Herschel-Bulkey model, which also contains three rheological parameters, the hyperbolic model conforms satisfactorily with experimental readings. The pressure drop formulas as derived from this model give accurate results as well as simple calculations. On the other hand, the Herschel-Bulkey model shows its incomparability quite apparently.

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TITLE: "New Types of Super-Span Pipe Bridges"

SOURCE: Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 3, Jul 80 pp 59-72

TEXT OF ENGLISH ABSTRACT: Two new types of super-span pipe bridges are discussed in this paper. One is a suspension pipe bridge of the catenary curve type and the other is a cable stayed pipe bridge. Compared to the conventional suspension pipe bridges, they have the following advantages:
(1) provide the longest span;
(2) no necessity of winding wire systems;
(3) costs lower than of other suspension pipe bridges;
(4) good winding resistance stability and resist vibrations easily with only a few simple wires;
(5) convenient for erection and assembly, not obstructing the normal inland navigation under them.

[Continuation of SHIYOU XUEBAO No 3, Jul 80 pp 59-72]

This paper briefly describes the component configurations, model tests, design considerations and analyses, as well as erection methods, etc., of these two types of bridges.

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TITLE: "The Characteristics and Dehydrogenation Reaction Properties of the Pt-Sn Catalysts Prepared by a Complex Method"

SOURCE: Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 3, Jul 80 pp 73-79

TEXT OF ENGLISH ABSTRACT: The Pt-Sn catalysts with the -Al_2O_3 support have been used as the catalyst for the dehydrogenation of long chain n-paraffins to produce mono-olefins.

It has been found in our investigation that the catalyst prepared by a new method to improve the interaction between Pt and Sn has higher stabilities than does that prepared by the conventional method with the same composition of Pt and Sn. In order to characterize the surface structures and the

[Continuation of SHIYOU XUEBAO No 3, Jul 80 pp 73-79]

reaction properties of these catalysts, the characteristics of two Pt-Sn catalysts prepared by different methods were studied by means of the Mossbauer spectroscopy, TPD of H_2, and reaction kinetics study of cyclohexane dehydrogenation. These experiments give the evidence that the interaction between Pt and Sn may be improved if the catalyst is prepared by the complex method. The stabilities of these catalysts are obviously enhanced and the energy of activation of dehydrogenation is much higher than that of the catalyst prepared by the conventional method. These results show that this type of catalyst will be superior to the conventional commercial Pt-Sn catalyst if it is used in the process of mono-olefin production.

9717
CSO: 4009

BRIEFS

GOLD IN GUANGXI, JILIN--Beijing, 12 Oct (XINHUA)--State-run gold mines in Guangxi Zhuang Autonomous Region, south China, surpassed their 1980 target for concentrated ore by 83 percent in the first 8 months of the year, it was learned from the Ministry of Metallurgy. By the end of August, the output of gold mined by people's communes in Guangxi had overfulfilled the annual plan by 5 percent and was 69 percent more than in the same 1979 period. A record output of gold was also reported by people's communes in Jilin Province, northeast China, in January-August. It was more than double the output for the same period of last year. A national symposium on gold and silver concentration and refining was held recently at Yantai, Shandong Province, to discuss how to improve gold and silver production and scientific research. [Text] [Beijing XINHUA in English 0210 GMT 12 Oct 80 OW]

FIRST OPTIC FLOURITE FIND--Last year during his summer vacation, Liu Zhiqing [0491 1807 7230], associate professor of geology at Zhejiang University, carried out a number of geological surveys in Hunan with six of his students. During these investigations they discovered optic flourite deposits at Xianghualing in Linwu County and at Shangbao in Leiyang County. Some of the deposits are of a rather high grade and worth exploiting. Optic flourite is a precious natural material used in the manufacture of microscopes and other optical instruments. There have not been very many deposits of optic flourite discovered in the world, and this is the first such discovery in China. The optic flourite discovered by Liu recently was tested at Zhejiang University, and the tests confirmed that it is of excellent quality, with the infrared transmissivity of a 1.5 mm wafer, far exceeding industrial standards. [Excerpt] [Beijing GUANGMING RIBAO in Chinese 29 Sep 80 p 1]

XINJIANG GEOLOGICAL PROSPECTING--Xinjiang has made impressive progress in geological prospecting. As of the end of September, a number of gold, copper, nickel and other mineral deposits urgently needed by the state had been located in the autonomous region. It completed or nearly completed all the yearly prospecting plans assigned by the state. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 3 Oct 80 OW]

CSO: 4006

PRC'S LIGHT INDUSTRY TOPS JANUARY-SEPTEMBER PRODUCTION PLAN

OW140820 Beijing XINHUA in English 0706 GMT 14 Oct 80

[Text] Beijing, October 14 (XINHUA)--Enterprises under the Ministry of Light Industry reported an 18.6 percent output increase from January through September this year over the same 1979 period. Total output exceeded 71,300 million yuan.

All the 17 major products topped the January-September production plan and the increases for 13 of them, including bicycles, sewing machines, wrist watches and cigarettes, ranged from 13.3 percent to 32.8 percent over the same period of last year.

Considerable increases were also recorded in the output of beer, grape wine and washing machines now in great demand in the market.

Statistics for 1,879 state-run light industrial enterprises in 48 big and medium-sized cities showed an increase of 22.5 percent in profit.

Quality continued to improve thanks to the efforts in total quality control. Ten light industrial products won state gold awards and 43 won state silver awards this year. At the same time, 390 items received certificates as good-quality products issued by the Ministry of Light Industry. Most of them are famous in both domestic and international markets.

One salient feature this year is that more good-quality products are manufactured in remote areas like Tibet on the "roof of the world" and Yunnan in southwest China.

More varieties of household electric appliances, furniture, musical instruments, arts and crafts and leather goods were commended for good quality.

In addition, about 4,000 new varieties were trial-produced and 50,000 new patterns and designs introduced.

CSO: 4020

POTENTIAL FOR LIGHT INDUSTRY DEVELOPMENT IN HUBEI, HUNAN DISCUSSED

Beijing CONGREN RIBAO in Chinese 17 Jul 80 p 2

[Article by Liang Liguang [2733 7227 0342], minister of light industry: "Develop Regional Superiority, Greatly Develop Light Industry--A Survey of the Light Industries in Hubei and Hunan"]

[Text] Recently we went to Hubei and Hunan to conduct a 2-week survey. Besides our activities within the provinces we also traveled to 13 cities and counties and visited some plants.

The present situation in the two provinces indicates that the future of the rapidity of growth of the campaign "to preserve the eight and strive for the ten" in the nation's light industry this year is bright. Of course, there are still many problems in such progress and efforts must be continued. Last year, the light industries combined the implementation of planned regulation and regulation by the market in their efforts to tightly grasp quality and variety, expanded autonomy of enterprises and enlivened production and business. Some preliminary experiences have already been gained. They must be implemented continually, summarized and elevated in the future. At the same time, some new problems such as the following have emerged, and they should be noted, studied and solved.

Market Forecast

Light industries mainly produce consumer products. Making good market forecasts is very important to guiding production. We gained some understanding of the present market supply situation in Changsha City and of the trend of the purchasing power during the "65" period. In general, buying and selling are active in the present market. Analysis of 16,853 kinds of commercial products handled by 7 wholesale stations and 1 retail store shows 80.2 percent of the products have a normal supply, 11.8 percent of the products were in shortage and 8 percent of the products accumulated and were not sold.

As the proportional relationship in the national economy was adjusted, the scope of employment opportunities expanded, wages for part of the staff and workers were adjusted and purchasing prices of agricultural

sideline products rose, the purchasing power of the entire city increased greatly. Since crushing the "gang of four," this has increased an average of 13 percent annually. The purchasing power of the population of the entire city of Changsha in 1985 will have grown by 62.4 percent over 1980, an average annual increase of about 10 percent.

The trend in purchasing power indicates there will be an overall increase in spending for food, clothes and daily commodities. In particular, the increase in purchasing power for premium and mid-level commercial products and durable consumer products will be very rapid. Analysis of 27 major commercial products shows an increase of 27.5 percent in purchasing power in 1979 compared to the previous year. Of these, daily commodities showed an increase of 57.8 percent, clothes showed an increase of 49.6 percent and food showed an increase of 13 percent. It can thus be seen that the order of the trend in increased purchasing power has already shifted clearly and gradually from spending our food, clothes and daily commodities to daily commodities, clothes and food. The situation throughout the whole province is similar to that in Changsha City, Consumers generally want new and beautiful things. All commercial products that are new in style, bright in color and good in quality are being bought up regardless of price. This change and trend of development in consumer needs are also reflected in farm villages. The Changfeng Production Team of the Huanghua Commune in the suburb has 62 families, 259 people. Last year, the commune members averaged a per capita income of nearly 300 yuan. The highest family income reached over 2,000 yuan. There are over 20 families that have a savings of more than 500 yuan in the credit cooperative. Twenty-six families have already bought 26 bicycles, 30 families have bought 56 watches, 9 families have bought 9 sewing machines and 21 families have bought 21 radios. Now they still want to buy bicycles, sewing machines, watches, radios, television sets, green wool and pure nylon materials and such premium products.

This trend of large-scale increase in the purchasing power of the people in towns and villages and the change in the society's consumption structure have already brought about many new needs for the light industry. We must fully realize this and must set up corresponding plans and arrangements in the direction, speed and level of production, otherwise a passive situation will be created.

Developing Superiority

The light industries in the two provinces all have a definite foundation. But, speaking as a whole, the light industries of the two provinces are still deficient in capabilities and are not in tune with social needs. The per capita production value of the light industries in Hunan averages only 58 yuan, lower than the national average of 87.5 yuan. The situation in Hubei is similar. Changsha City is one of the cities in the entire province that has a relatively developed light industry. The production value of the first and second light industries constitutes only 14 percent of the total value of industrial production of the entire city. The

Jingzhou area has a population of 10,000,000 and is a key food grain and cotton producing region of the entire nation. The production value of light industry is only 220,000,000 yuan. Therefore, every locality urgently needs a hastened development in light industries.

The two provinces have many advantageous conditions for the development of light industry. Their agricultural foundation is better, there are large areas of water, lakes, mountains and forests, bamboos, pig skins and feathers and such raw materials for light industry. There are also salt mines, phosphorus mines, pottery clay, quartz sand and nonferrous metals and such resources. Hubei is also one of the nation's bases of steel and iron. Gezhou Dam's power station will go into operation in the near future. As long as these advantagesou conditions are fully utilized, planning is strengthened, measures are suited to local circumstances, the advantages are developed and the shortcomings are avoided, the superiority of each is developed, the popular products that possess regional characteristics are greatly developed, and the speed of development of light industry can be greatly hastened. For example:

The two provinces have a rich resource of reed. In particular, the potential in the Dongtinghu area and the Jingzhou area is very great. This is a very good kind of raw material for developing paper manufacturing. The area of the lake and the islands in Dongtinghu being utilized at present constitutes only 50 percent of the total. Islands in the lake are suited for planting reed, unsuitable for planting food grains, and the conflict of competing against food crops for land does not exist. The variety of reed is mostly di reed. Its quality is good and its unit yield is high. Setting up manufacturing plants at the locality can save a lot of transportation costs. Therefore, this superiority must be fully developed to strive to build Hunan into a key paper manufacturing base in not too long a time.

The pottery industry in Hunan Province has a long history. There is very good traditional technology and there are good resources of good quality pottery clay. The present productive capacity is 450,000,000 pieces of pottery. Last year, 140,000,000 pieces were produced and exported, earning over U.S. $17,000,000. To utilize this foundation, Liling, Jiepai, Hongjiang, Xinhua, Tongguan and Xiangying can be built into bases for pottery and export possessing each county's unique characteristics. The future direction of development is mainly to produce premium level products, sets of products, create brand name products, raise competitive ability and expand exports.

These two provinces have a rich source of pig skins. But the rate of skinning is low and they have not been fully utilized. At present, the rate of utilization in Shandong Province has already reached 75.6 percent while Hunan and Hubei have only a 31 percent and 20 percent rate of utilization. Skinning 1,000,000 more pig skins and making leather products out of them can increase the value of production by 40,000,000 yuan with a profit of 4,000,000 yuan and requiring a labor force of 4,000 people. Actively opening up various kinds of sources for hides to develop leather products is an important way to increase production.

The two provinces have a relatively good foundation in food grain production. In the future, the area of economic crops can be expanded according to plan, animal husbandry can be greatly developed, and the rich resources of local and handicraft products in the mountain regions can be fully utilized, food industries such as canning, milk products and commercial drinks can be developed as well as other light industries. The Jingzhou area is the nation's key cotton producing area. Cotton plants can be suitably interplanted with barley and this favors increasing cotton production. Last year, the entire province produced 700,000,000 jin of barley. This is superior condition for developing molasses and beer production.

The two provinces should also fully utilize the foundation of brand name traditional products such as Hunan embroidery, firecrackers, bamboo carving, bamboo sheets and products made of feathers. Handicraft and artistic products and memorabilia for tourists should be greatly developed to expand exports and earn foreign exchange. Generally speaking, the potential is great, the ways are many, the superiorities are plentiful, and developing light industry has a bright future.

Joint Operations in Light Industry

The situation in these two provinces is like that in many regions of the nation. Because insufficient attention was paid to economic results in establishing plants, coordination of specialization was neglected, duplicate manufacturing plants were set up and development was blind. Many "small and complete" manufacturing plants were set up. And with the addition of the massive development of commune and brigade industries, the conflict between small plants that use agricultural sideline products as raw materials and large plants in competing for raw materials has become more and more outstanding. Taking tanneries as an example, there are 96 tanneries operating in 72 counties and cities in Hubei Province. There are even more if those operated by communes and brigades are included. There are only 13 that are included in the plans of the province's light industry bureau. The hide processing capability in Wuhan City requires 2,000,000 pig skins a year. This year, plans are to obtain 800,000 pig skins from particular counties, and in one season only 27,000 pig skins were submitted. Because of insufficient work, 200,000 pig skins were accepted from Beijing City for processing. The small tanneries not only compete with the large tanneries for raw materials, the technical and economic results are not the most favorable. One piece of pig skin can be cut into two to three layers at a big tannery, but at the small tanneries one piece can only be used as one layer of leather because of their backward techniques and facilities. The quality is also poor, the cost is high, and in particular, the problem of pollution cannot be solved. There are also many small paper manufacturing plants, wineries, soap factories and plastics manufacturing plants that have the same problems.

At present, some heavy industries and military and national defense industries utilize their surplus productive capabilities to produce light

industrial products for civilian use. After the financial system of each being responsible for his own was implemented, the enthusiasm towards establishing light industry by the localities also heightened because the localities wanted to increase monetary income. This served an important function in developing light industrial production and improving market supplies. But some new conflicts have also emerged. These are mainly the results of a failure to implement comprehensive balancing of supply and demand and to suit products to market needs, lack of unified planning, and the conflicts among production, supply and sale became more outstanding and there was a certain blindness. In particular, those hot items of the market and products that earn a lot of profit such as electric fans, steel furniture, refrigerators, washing machines and the "three big items" have been seized by the rush of buyers. For example, three plants have been assigned to make electric fans in Hunan but actually there are 64 plants. Five plants have been assigned to produce steel and wooden furniture, but actually there are 66. The city of Wuhan in Hubei Province alone has 35 plants making electric fans.

Only by implementing coordination and joint operations well can the limited capital and raw material resources be rationally utilized to develop the greatest economic results. Therefore, suitability controls should be implemented for each profession. There should be unified planning and rational distribution so that city and village industries can be united, industry and agriculture can be combined, the military and the civilian industries can be combined, light and heavy industries can be combined, and the economic benefits of all sides must be taken into consideration to establish an appropriate economic policy to unite the strength of all sides. At present, the two provinces have implemented some preliminary measures:

(1) Proportional distribution of surplus raw materials

Hubei Province has implemented a basic quota system for commercial agricultural sideline products. Surplus is proportionally distributed. The quotas are fixed for 3 years of set each year. Surplus purchases of leather, wood and Chinese catalpa oil are divided between the province and the counties. The province gets 40 percent and the localities and counties get 60 percent. Surplus purchases of raw lacquer are also divided. The province receives 60 percent and the localities and counties receive 40 percent. Surplus purchases of tung oil are evenly divided between the province and localities and counties. Surplus purchases of pig skin are divided with the province getting 30 percent and the localities and counties getting 70 percent.

(2) Return of processed products

To develop Hunan's tannery industry, mobilize the enthusiasm in skinning pigs for hide, assure presently operating tanneries have enough income, prevent localities and counties from blindly developing small tanneries, the province implemented a system to "distribute the profits from increased skinning, and processed leather is proportionally returned." This means that when the planned target is satisified, a portion constituting 30 percent is returned to the localities and counties. Seventy percent of the

surplus portion over the plan and submitted to the higher authorities is returned to the localities and counties to be used to develop local production of leather products.

(3) Organizing coordination of specialization

In Xiangfan City of Hubei, the light industry sector has set up a main plant to manufacture sewing machines and industrial companies to make clothes, shoes, hats and furniture. Work is divided according to the products being made and coordination of specialization was organized to implement linked supply, production and sale, thus promoting development of production.

(4) Implementing joint operations at three levels.

Gouyang County of Hubei implemented joint operations at three levels to develop production of straw mats and separate accounting. Everything from planting the straw to selling of the finished products was organized into one continuous operation. The method involved the teams that planted the straw, the brigades that processed the straw roughly, the county that set up the main plant for refined processing, arrangement and packaging. Distribution of profits and income was realized by purchasing and selling activities. For example, selling one straw mat earns a profit of 60 cents. Generally, the team receives 29 cents, the brigade receives 20 cents, and the main plant receives 11 cents. This takes care of the benefits between industry and agriculture and between the towns and villages, and mobilizes the enthusiasm of the communes and brigades to plant straw for mats, and promotes the great development of production. This county will expand the area of planting of straw to 8,000 mu this year, which will enable it to produce 4 million straw mats. Of these, 160,000 "tatamis" can be produced to earn U.S.$1,500,000 of foreign exchange.

Yichang area of Hubei Province implemented the method of joint operations in growing tea. Tea production was concentrated at the tea plants in Yichang County. Distribution of income and profit is 50 percent for the tea growers of the country, 30 percent for each county commune and 20 percent for the tea plant.

(5) Uniting the military and the civilian sectors well.

Hubei has more military and national defense industries. To fully develop their function and to develop some of the local key light industrial enterprises as quickly as possible, the local party committee led the way to unite light industries and the military industries. Assigned coordination was implemented and good results were achieved. For example, when building the Xiangfan sewing machine plant, 28 enterprises were organized to support it. Among these, six were military industry plants. Only 2 years and an investment of 1,700,000 yuan were spent and the plant were completed and joined in production. Last year it produced 13,000 machines and this year it is estimated that it will produce 30,000 machines.

(6) Uniting the coastal and the inland regions

Coastal cities not only provide technical support but also have implemented cooperative establishment of plants in various forms. For example, the Shanghai electrical porcelain plant originally shipped pottery clay from the Xianning area of Shanghai for processing. Five tons of pottery clay were needed to make 1 ton of product. Now it is cooperating with the county procelain manufacturing plant and electrical porcelain objects are locally produced and then shipped to Shanghai. At the same time, some other accessories are shipped from Shanghai to the Xianning area for installation. In this way, both plants have benefited.

Promoting unity among light industries is a strategic policy to develop light industry. It must be done and it is necessary. In the future, the questions of how the series of problems in joint operations should be solved and how joint operations can be promoted while protecting competition in the future should be continually and profoundly investigated and studied. Experiences in these aspects must be conscientiously summarized to realize continued development and promotion.

The two provinces have also done a lot of concrete and very effective work regarding the questions of building agricultural sideline raw material bases for light industry well, strengthening the buildup of the leading groups and providing technical forces.

The survey of the two provinces showed that the local leadership and the broad masses of staff and workers are greatly determined to develop light industry. Their spirit to work is high, and they have solved some new problems in practice and have accumulated a lot of new experience. The situation of the light industry in these two provinces is representative of the light industry of the nation. Their way of doing things has pragmatic significance in hastening the development of light industry.

9296
CSO: 4006

LOCALLY BUILT SYNTHETIC AMMONIA PLANT HAS SUCCESSFUL RUN

Shanghai HUAXUE GONGYE [CHEMICAL INDUSTRY] in Chinese No 1, 1980 p 1

[Article: "A 300,000-ton Synthetic Ammonia Facility Designed and Built By Our Own Efforts in Our Nation Has Successfully Taken in Raw Materials and Has Been Successfully Test Run"]

[Text] The first construction project to produce 300,000 tons of synthetic ammonia and 240,000 tons of urea annually designed and built by our nation at the Wujing Chemical Industry Plant in Shanghai has successfully taken in raw materials and has been successfully test run from 0045 hours on 23 December 1979 to 30 December 1979 under the tender care of the Party Central Committee and the State Council and with the help from over 400 units in sister provinces and cities in our nation. At present, synthetic ammonia and pellet urea of acceptable quality have already been produced.

This construction project is a large scale synthetic ammonia installation possessing a technology level of the 1970's. It is built by our nation's working class which demonstrated the spirit of self reliance, and its construction started out from the actual situation in our nation and at the same time incorporated the advanced experience of similar types of chemical fertilizer installations abroad. The high power turbine compressor, the large diameter synthesis tower and the large tube furnace and such equipment and instruments and meters are all products which have been manufactured on a trial basis for the first time in our nation. The success achieved in building this set of facilities indicates that our nation's electrical machinery, metallurgical, instruments and chemical industries have all progressed a big step forward. It has laid the foundation for future design and manufacturing.

The set of facilities still has to be perfected, firmed up and improved by conducting more test runs and by taking in raw materials for processing to prepare the conditions for continuous operation over long periods.

9296
CSO: 4006

CHEMICAL FERTILIZER TECHNOLOGY CONFERENCE HELD IN CHENGDU

Shanghai HUAXUE GONGYE [CHEMICAL INDUSTRY] in Chinese No 1, 1980 p 1

[Article: "The Conference to Exchange Experience in the Introduction of Large Chemical Fertilizer Installations and Technology Sponsored by the Ministry of Chemical Industry Was Held in Chengdu, Sichuan"]

[Text] The conference to exchange experience in the introduction of large chemical fertilizer installations and technology sponsored by the chemical fertilizer department of the Planning Bureau of the Ministry of Chemical Industry was held from 10 to 19 December 1979 in Chengdu, Sichuan Province. Forty-six units represented by over 220 representatives from production plants, design institutes, scientific research institutes, intelligence agencies and higher educational institutions participated in the conference.

The conference received a total of over 120 technical papers, summaries of research work and investigative reports. Of these: 28 were on the technology of synthesizing ammonia, 12 were on urea technology, 27 were on facilities, eight were on electrical equipment and instruments and meters, 42 were on water quality, and seven were production summaries. After the introduction of work experience and reading of these papers at the conference and at the meetings on specific fields, the representatives unanimously agreed that the summaries, investigative reports and papers on specific topics presented at the conference linked theory with the actual situation and were profound yet easily understandable and they all possessed a definite level of sophistication. For example, the summary of operating and managing well the large chemical fertilizer installations introduced into Chuanhua, Canghua and Liaohe centered around grasping the rate of operation and pointed out clearly the direction of management of large scale production of chemical fertilizers. Papers on "Treatment of Surface Chemicals" presented by the Tianjin Chemical Industry Research Institute, the "General Survey of Fungi and Algae and the Screening and Selection of Bactericides" of the Nanjing University, "Analysis of Erosion of the Second Boiler and the Study of the Bower Ring" of the Chemical Industry Machinery Research Institute of the [Chemical Industry] Ministry, and "Materials for High Temperature Furnace Pipes" of the Dalian Engineering Academy can all serve to guide production. The conference decided to compile these summaries and papers in one special edition for learning, use and further study by the broad masses of workers and engineers and technical personnel.

During the conference, the participants heard the reports of the inspection tours to Japan and Romania by Chuanhua chief engineer, Comrade Yin Xuejin [1438 1331 6651]

and Comrade Cao Hengwu [2580 1854 2975] of the chemical fertilizer department of the Ministry of Chemical Industry. Their reports were lively and practical. The reports broadened the knowledge of the participants at the conference and inspired them. The participants also visited Chuanhua production facilities and the large repair and maintenance site. Everyone unanimously agreed that this conference was a good and a successful one. It will push forward in an important way future efforts to further operate and manage well the introduction of large chemical fertilizer installations, to raise the rate of operation of the installations and the economic results of technology, and to raise the technological level and the management level of the entire chemical fertilizer industry.

At the end of the conference, Comrade Kuang Yongtai [0562 3057 3141] of the ministry's chemical fertilizer department gave a detailed summary of the major achievements and experience obtained from the introduction of large chemical fertilizer installations since the time they went into production, the existing problems at present and the work for 1980. It is hoped that representatives of the plants will take the spirit of this conference back with them, give a summary report to the party committees and concerned leadership, and pass on the information to all staff and workers. It is also hoped that the actual situation of each of the units can be combined with the new information to draw up measures for implementation and practice and to arrange and plan the work for next year.

9296
CSO: 4006

PZ38 DC DIGITAL VOLTMETER NEWLY PRODUCED

Shanghai DIANZI JISHU [ELECTRONIC TECHNOLOGY] in Chinese No 4, 1980 p 45

[Article by the Shanghai Electrical Meters Plant: "Introduction to a New Product PZ38 DC Digital Voltmeter"]

[Text] The PZ38 DC digital voltmeter is a new product of the Shanghai Electrical Meter Plant. It is shown on Cover 4. It is a portable integrated digital meter, and can be used to measure 0--100 volts of DC voltage. The results of measurement are indicated directly by a polarity symbol and five-digit decimal number. It can be used by production departments, laboratories and units that take measurements for precise measurements of DC voltage and it can also be combined with corresponding converters for convenient numerical measurements of non-electrical quantities such as weight, pressure, temperature, light, acidity and salinity and many others.

The PZ38 voltmeter uses a medium scale digital integrated circuit and an integrated computation magnifier encased in an all-plastic case. Measurements are accurate and speedy. Its functions are stable and reliable, it is light and maneuverable, and is convenient to use and repair.

Technical Specifications

Range of measurement: 0--19999

Accuracy: $\pm$ 0.02% (read out), $\pm$ 0.01% (full scale);

Sensitivity: 10 microvolts;

Input impedance: 1 kilomegaohms;

Suppression capacity: Serial mode 40 decibels;
Symbiotic mode 100 decibels;

Operating speed: Twice/second;

Exterior dimensions: 200 x 80 x 250 (millimeters);

Weight: 1.5 kilogram.

Design Characteristics

The product is composed of two parts, the input magnifier and the "mode-digital" converter. The input magnifier uses a chopped mode zero-stable form assisted by a "sampling-maintenance" technique, effectively reducing the zero drift of the magnifier, thus the entire machine's zero stability is good. After switching on the machine, warm-up is generally not required for resetting and it is assured that the zero position will not change after long periods of operation.

The "mode-digital" converter uses the improved double integration principle. It uses a "preset zero selection" technique to effectively overcome the nonlinearity of minute readings inherent in the double integration "mode-digital" conversion. The "mode-digital" converter's base uses stable flowing computation technique, and with a suitable selection of the technology for the base tube, the entire machine's full scale stability has been greatly raised. Therefore, when in use, it generally does not require readjustment of the base for accurate and precise readings.

The product is light in structure and beautifully designed. The entire machine has only two printed circuit boards. Readjustments, repair and inspection can be done simply by removing the top and bottom cover plates.

9296
CSO: 4006

LIAONING MODEL MINING TEAM EXPOSED AS FRAUD

SK182359 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 15 Oct 80

[Text] According to LIAONING RIBAO, the Scientific and Technical Association of the Anshan Metallurgy and Mining Company supports the current views of scientific and technical personnel and enables them to make better contributions to the cause of the four modernizations.

At the beginning of last year, four scientific and technical personnel, including (Niu Chengjun), instructor at the mining department of Dongbei Engineering Institute, said that the "Dragon Team" headed by Wang Junshao was "small and complete" and could not work efficiently. (Xu Li), engineer at the Mining Designing Institute, (Fang Dacheng) of the scientific and technical section of the mining company, and three other engineers believed that the imbalance in lead and copper production in the Gongchangling Iron Mine was a result of the indiscriminate excavating and stripping by the Wang Junshao team. They contended that the lead production would have not been so low if the new transverse excavating and stripping technique had been employed in excavating lead in the (Wumu) area of the Gongchangling Iron Mine.

At that time, it was taken for granted that these views would not be accepted. But the scientific and technical association of the mining company lended strong support to the scientific and technical personnel's views. Following a thorough investigation, six engineers at the company compiled a report exposing Wang Junshao's deception and flouting of science in handling manpower, equipment and consumption. This drew the attention of the mining company's party committee.

In March 1979, teams following the Wang Junshao style were dismissed. Meanwhile, the company's party committee adopted the new mining technique proposed by (Xu Li) and others. The balance in lead and copper production has been virtually restored.

CSO: 4006

BRIEFS

NEW AFFORESTATION MACHINERY--Six varieties of afforestation machines specially for northwest China's sparsely populated desert areas and Loess highland have been turned out by the Chinese Academy of Forestry Science in cooperation with other research institutes. Used for ditch digging, ridging, cultivating, sapling transplanting and other operations, these machines of simple structure have proved highly efficient during trial use. [Beijing XINHUA in English 1205 GMT 18 Oct 80]

QINGHAI LIGHT INDUSTRY--Xining, 5 Oct (XINHUA)--Qinghai Province has vigorously developed its light and textile industry by exploiting its rich local pastoral resources. Exports of carpets, woolen cloth, shoes and other products in the first 8 months of 1980 increased 25-200 percent compared with the same period of last year. The province annually turns out more than 32 million jin of sheep wool, more than 3.5 million pieces of cattle, sheep and goat hides, and large quantities of goat and camel wool, milk and animal bone. The Qinghai fine woolen textile mill is a modern production unit which annually turns out 2.42 million meters of fine woolen cloth. [Beijing XINHUA Domestic Service in Chinese 0346 GMT 5 Oct 80 OW]

HUNAN ELECTRONIC INDUSTRY--Hunan Province's electronic industry development is still unsatisfactory. Regarding this, the Hunan station reporters interviewed some experts and the HUNAN RIBAO carried a short commentary. The short commentary said: The opinions of the experts on developing electronic industry in Hunan Province are very valuable. We must popularize coordination between scientific research and production in order to change the backward situation. Local departments must study the experts' opinions and organize coordination between scientific research and production. They must work in accordance with local conditions and bring their superiority into play in order to increase electronic production in Hunan Province. [Changsha Hunan Provincial Service in Mandarin 2315 GMT 28 Sep 80 HK]

JIANGSU ELECTRONIC INDUSTRY--A trade fair of electronic products is being held in Nanjing Municipality. According to the director of the Jiangsu Provincial Electronic Industry Bureau, there are some 400 factories and more than 100,000 workers in the electronic industry in Jiangsu. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 7 Oct 80 OW]

CIVILIAN GOODS SUPPLY MEETING--Beijing, 14 Oct (XINHUA)--From 6 to 12 October a meeting was held in Xinxiang, Henan, between the Fifth Ministry of Machine Building and the Ministry of Commerce to discuss the 1981 orders for civilian goods to be supplied by the former's various units. Since last year many units under the Fifth Ministry of Machine Building have used their surplus capacity to make products for civilian use. According to the orders placed by the departments of the Ministry of Commerce, next year the units under the Fifth Ministry of Machine Building will produce 640,000 bicycles, 400,000 sewing machines, 400,000 table clocks, 170,000 light motorcycles and 2.8 million electric meters for household use. The total output value of goods for civilian use to be produced in 1981 will be about 40 percent more than this year. [OW200547 Beijing XINHUA Domestic Service in Chinese 1153 GMT 14 Oct 80]

INCREASE IN TEXTILE OUTPUT--Beijing, October 11 (XINHUA)--The output value of China's textile industry in the first three quarters of this year came to 49,365 million yuan, a 26.6 percent increase over the same 1979 period, the Chinese Ministry of Textile Industry announced here today. Output of ten major products topped the January-September production plan and their increases range between 13.3 and 43.9 percent over the same 1979 period. The industry produced 322,800 tons of chemical fibres, representing 89.66 percent of the annual plan and a 43.98 percent increase overthe same 1979 period. It also produced 2.18 million tons of cotton yarn--85.43 percent of the annual plan and an increase over the same period last year of 13.36 percent--and 10,141 million meters of cotton cloth, 86.68 percent of the annual plan and an increase of 14.29 percent. Since the beginning of this year, exhibitions have been held in many textile centers to test the requirements of customers. [Text] [OW111342 Beijing XINHUA in English 1208 GMT 11 Oct 80]

FUJIAN LIGHT INDUSTRIAL PRODUCTION--Development of light industry has been relatively rapid in Fujian this year. Between January and August, the provincial light industrial departments fulfilled 70 percent of the year's production plan, representing an increase of 20 percent over the same period in 1979. Fujian Province has given priority to light industry for fuel, raw materials, capital and electricity supply. Thus, the growth rate of light industry exceeded that of heavy industry. [Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 20 Sep 80 HK]

JIANGXI TEXTILE INDUSTRY--Development of the textile industry has been rapid in Jiangxi Province and the textile industry received priority in raw material supplies. This year, Jiangxi textile industrial production is expected to increase by 18 percent over 1979. From January to August 1980, the total production value of the textile industry increased by 44.7 percent over the same period in 1979. Textile production now comprises 10 percent of all industrial production for the entire province as opposed to previous figure of 8.7 percent. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 19 Sep 80 HK]

REGIONAL PLANTS PRODUCTION--A forest chemical works in Hunan Province, central China, has begun serial production of disproportional rosin, a material widely used in defence, electronics and light industries. China is the second largest rosin producer in the world. It used to export rosin cheap but import disproportional rosin at high prices. [Beijing XINHUA in English 1205 GMT 18 Oct 80]

CSO: 4020

BRIEFS

HOUSING CONFERENCE--On 8 October, the State Urban Construction Bureau held in Hangzhou, Zhejiang, a conference for investigating the criteria for distributing and controlling urban houses, attended by representatives of housing and real estate departments as well as architectural design units from a dozen provinces and municipalities. Despite the large numbers of houses built throughout China in recent years, the supply of houses still cannot meet the demand and the masses' housing condition is still poor. The conference was designed to solicit opinions from the participants on the basis of the investigations of housing distribution in their respective localities and to work out criteria for distributing and controlling houses in keeping with the present state of production and living standard in China. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 9 Oct 80 OW]

CSO: 4006

BRIEFS

XINJIANG TRADE COMPANY--Urumqi, 15 Oct (XINHUA)--In September of this year, a joint venture, called Xincheng Trade and Trust Company, was established by the Shihezi agriculture-industry-commerce complex and the new city district of Urumqi Municipality, Xinjiang. The Shihezi agriculture-industry-commerce complex, the first such big complex established in China, handles over 400 varieties of commodities from grain to textiles. The new city district of Urumqi has a population of some 170,000 and is a center of government offices and industrial plants. Since the original commercial facilities could not meet the city's increasing demands, the new company was established as a direct channel to supply goods from Shihezi to the local market. Besides numerous retail stores, the company also runs restaurants, hotels, garment factories and food-processing plants to fill the local people's requirements. [Beijing XINHUA Domestic Service in Chinese 0724 GMT 15 Oct 80 OW]

CSO: 4006

FOREIGN TRADE

PROVINCES, MUNICIPALITIES TO MANAGE OWN EXPORTS

HK150207 Hong Kong WEN WEI PO in Chinese 15 Oct 80 p 1

[Report: "The Great Majority of Provinces and Municipalities Will Manage Their Own Exports Beginning 1 January"]

[Text] Due to the reform of China's foreign trade system, the great majority of provinces, municipalities and autonomous regions will manage their own export business beginning next 1 January. ZHONGGUO XINWEN SHE revealed this in a 14 October report on the completion of preparations for the autumn export commodities fair. For this reason, the number of provincial, municipal and autonomous regional foreign trade personnel attending this fair will be much greater than on previous occasions.

In an interview with a ZHONGGUO XINWEN SHE reporter on the eve of the opening of the fair, Zheng Shaokang, deputy director of the fair and concurrently its secretary general, said: "The Chinese export commodities fair is a major foreign trade form suited to China's characteristics, and the volume of export business done at the two annual fairs accounts for a considerable proportion of the country's total income from exports. We will continue to hold these fairs, and they will be held on an ever larger scale and with ever greater success."

Zheng Shaokang (?said that) China is carrying out reforms of its foreign trade system. Under the premise of unified policy, prices and plans and arrangements for customers and markets, we will appropriately expand the control over foreign trade by the localities and a number of industrial departments. The various localities and the departments concerned will make use of the export commodities fairs to promote business, so there will certainly be no weakening of the role played by these fairs.

Speaking of the situation at the current autumn fair, Zheng Shaokang said, the Guangzhou Foreign Trade Center issued invitations to customers throughout the world at the end of [words illegible] response was enthusiastic. There are still many businessmen requesting invitation cards.

CSO: 4006

SHANGHAI ENGINEER QUESTIONS BLIND IMPORTING OF EQUIPMENT

OW151509 Shanghai City Service in Mandarin 1130 GMT 14 Oct 80

[Text] (Shi Zhiming), deputy chief engineer of the Shanghai Dalong Machinery Plant, recently wrote a letter to the editorial department of SHIJIE JINGJI DAOBAO [GUIDE TO WORLD ECONOMY]. In his letter, (Shi) reported: Baoshan Steel is blindly importing equipment for manufacturing drill rod couplers. The import will endanger the existence of an old plant with rich technical experience. He called on the leaders of the Ministry of Metallurgical Industry to immediately stop importing the equipment.

The letter said: The Dalong Machinery Plant began manufacturing drill rod couplers for oil drilling in 1954. Our plant undertook the entire process of manufacturing—steel smelting, forging, heat treatment and finishing—and has turned out products with a whole set of different specifications and designs, while maintaining uniform quality. Our products are interchangeable with imported drill rod couplers. Over the years, more than 90 percent of the drill rod couplers used by all oilfields throughout the country were supplied by our plant, the quality of which has been highly appraised. At present, our plant is capable of meeting the needs for drill rod couplers both in quantity and quality for oil drilling in the next few years.

While the products in our own country can fully meet the needs, Baoshan Steel has signed a contract with a foreign source to import a complete set of No 140 tube rolling machinery. This set of machinery will cost $245 million in foreign exchange, of which $8.5 million will be spent on importing machinery for producing drill rod couplers. Besides, it is also necessary to spend 11 million yuan in domestic funds in this regard. The set of machinery will be capable of producing 170,000 pairs of drill rod couplers annually. This production capacity will far exceed the actual demand of our country's oilfields in the near future.

Not long ago, the parties concerned of the Ministry of Petroleum Industry informed us that supply from the Dalong plant will be discontinued by 1982 when Baoshan Steel begins manufacturing drill rod couplers. Under

these circumstances, production at our plant's three workshops with more than 2,000 workers will be drastically reduced or totally suspended. We believe that it may be absolutely necessary to import advanced technology in the course of our socialist modernization. However, Baoshan Steel's total neglect of the existing production capacity at home and the actual needs of the oilfields means a blind action to utterly waste the state's foreign exchange. What good will such blind action do to our four modernizations?

CSO: 4006

FOREIGN TRADE

BRIEFS

SHENYANG FOREIGN TRADE--By the end of September, the Shenyang Foreign Trade Bureau had prefulfilled its annual procurement plan of export goods by 3 months. The total volume of purchase reached some 299 million yuan, an increase of 57.7 percent over the corresponding 1979 period. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 15 Oct 80 SK]

TIANJIN FOREIGN TRADE HANDBOOK--HANDBOOK ON FOREIGN TRADE KNOWLEDGE will soon be published by the Tianjin Science and Technology Publishing House and distributed by various branches of XINHUA bookstores in the country. The handbook, compiled by professors and lecturers of the foreign trade department of the Tianjin Finance and Economics Institute, contains more than 1,000 entries covering foreign trade terms, systems, policies and regulations. [Beijing Domestic Service in Mandarin 0900 GMT 14 Oct 80 OW]

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22 October 1980

China Report

ECONOMIC AFFAIRS

No. 93

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22 October 1980

CHINA REPORT

ECONOMIC AFFAIRS

No. 93

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NATIONAL POLICY AND ISSUES

BETTER ECONOMIC PROCURATORIAL WORK URGED

SK110722 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 8 Oct 80

[Report on article by (Li Yiguang) and (Shi Feng) of the Nei Monggol Regional People's Procuratorate: "Conduct Economic Procuratorial Work to Protect the Four Modernizations"]

[Excerpts] One of the important functions of the people's procuratorates is to conduct economic procuratorial work. The main task of this work is to handle cases involving crimes of an economic nature. It should not only guarantee that such criminals are punished but also should protect political stability and unity to ensure the smooth progress of the four modernizations.

In view of our region's realities in the past few years, vigorously publicizing and actively conducting economic procuratorial work is of great significance in promoting our campaigns--"increasing production and practicing economy," "reducing expenditures and increasing income" and "production safety." Leading comrades in some units have ignored technical and professional studies for so long that they believe they are always right. As a result, they tend toward arbitrary and impracticable directions and compel others to do things in violation of science and rules. This results in losses to workers' lives and state property.

In order to protect their personal interests, some cadres of state organs whose revolutionary will has been waning do all kinds of terrible things: establishing secret ties, engaging in back door dealings and violating laws and disciplines. This results in great losses to state property.

Owing to the pernicious influence of Lin Biao and the gang of four and the effects of feudalist ideas of prerogatives such as the patriarchal system and "what I say goes," many people's procuratorates in our region have dncountered resistance of varying degrees in conducting economic procuratorial work. In an attempt to protect criminals, some try to impede procuratorial organs in exercising their legal rights by pleading for mercy for defendants, making false testimony or deliberately making

things difficult for procuratorial personnel. This is not in conformity with the interests of the party and the people and cannot be tolerated.

The economic procuratorial work is one of the important laws and rules approved and promulgated by the National People's Congress. We should exert great efforts to publicize the significance of implementing this law, bring into play the enthusiasm of all circles, overcome resistance and interference from various fields and conscientiously conduct economic procuratorial work so as to promote the smooth progress of the socialist cause of the four modernizations.

CSO: 4006

NATIONAL POLICY AND ISSUES

ECONOMIST SPEAKS ON ECONOMIC POLICY

HK100744 Hong Kong TA KUNG PAO in Chinese 9 Oct 80 p 4

[Report: "He Jianzhang Speaks on Economic Policy" at the Hong Kong Seminar on New Development Trends in China's Economy sponsored by Ching-Chi-Tao-Pao]

[Text] He Jianzhang, deputy director of the Economics Institute of the State Planning Commission, yesterday delivered a speech at the seminar that was entitled "China's Economic Policy for the Current Stage." He noted: The readjustment of the national economy has already begun with the readjustment of the economic policy on agriculture. China's current policy should be: under the circumstances in which the socialist public ownership is in a dominant position, the component parts of diversified economy and the diversified management forms are allowed to exist and develop.

He Jianzhang said: In view of this situation, China has adopted a series of policies on readjustment: First, the scope of every production team should be determined in line with local conditions; second, the management style of every production team should be determined in line with local natural conditions, production level, living standards, management level and management items and all production teams should adopt flexible and varied management forms and the forms of their production responsibility system should be many and varied; third, resume private ploits, privately owned livestock, privately owned trees and privately owned hills and develop household sindeline production and country fair trade; fourth, encourage production teams to follow the path of joint management integrating farming, industry and commerce; fifth, respect the self-management rights of units of collective economy; and sixth, increase the purchasing prices of agricultural and sideline products by a large margin.

Referring to the policy on urban collective economy and individual economy, He Jianzhang noted: The basic reasons for the continuous existence and development of urban collective ownership are: among our urban service trades such as commerce, catering trade, clothing trade

and repairing trades, there are many handicraftsmen of various fields. Moreover, to make things convenient for urban residents, these trades have to carry out decentralized management. Within these trades, cooperatives and cooperative groups which are established on a voluntary basis and assume sole responsibility for their profits or losses are greatly superior to the state-owned economy.

He Jianzhang added: The principle of "giving full play to superiority, protecting competition and promoting integration" is directed against the previous self-sufficiency and the newly emerged contradictions. Generally speaking, the organization of all types of economic integration is the inevitable outcome of competition and is also the objective need for giving full play to superiority. Following the path of integration is the inexorable trend of the development of the Chinese economy.

CSO: 4006

ECONOMISTS IN HONG KONG QUESTION-ANSWER SESSION

HK110519 Hong Kong WEN WEI PO in Chinese 10 Oct 80 p 2

[Summary of 9 October Question and Answer Session at Hong Kong "Seminar on New Development Trends in China's Economy"]

[Text] Ji Chongwei Answers Questions

Question: When China's economic reforms have been instituted, will this pose a threat to Hong Kong?

Answer: No, on the contrary, after the reforms of China's economic system have been carried out, the Hong Kong capital market will be even more prosperous, and trade between Hong Kong and the interior will develop correspondingly.

Question: How will joint ventures for exploiting energy sources be taxed?

Answer: The expenses involved in exploiting resources differ from place to place, and the tax rate has not yet been specifically stipulated. We are currently drafting laws such as a petroleum law and a resources law, which will lay down regulations on this point.

Question: When enterprises import equipment from abroad, what organs do they have to approach for permission?

Answer: Above a large limit, joint ventures importing equipment from abroad have to obtain approval from the Finance Ministry of the State Council. In the case of enterprises carrying out compensation trade, Beijing, Tianjin and Shanghai have the right to import equipment worth over US$1 million; this has not yet been approved for Guangdong and Fujian.

Question: How are production costs and profits of joint ventures calculated?

Answer: We are currently drafting regulations on production costs and profits; these regulations will soon be promulgated.

Question: Why are there few successful and many unsuccessful inquiries about setting up joint ventures?

Answer: My personal view is that joint undertakings are rather complicated, and in addition we have just started to relax the policies; there has to be a process of mutual understanding between Chinese and foreign investors. It is natural that some inquiries will be successful and some unsuccessful after such mutual understanding has been attained. Moreover, the scale of some investment projects exceeds the limit, and groups have to be set up to carry out practical studies. A big project might need 1 or 2 years' study before it is practical. For these reasons, at present we can only develop investment projects in a limited way. We should first operate some pilot projects and sum up their experiences.

Up to now, 11 joint ventures have been approved, with a total investment of about US$200 million. In addition, 50 or 60 projects are under study. This speed is not too slow. In the future, we should watch the following four points in order to promote the development of setting up joint ventures: 1) Chinese and foreign departments concerned and businessmen should be given more opportunities to contact and meet each other, to increase mutual understanding; 2) It is necessary to decide on economic law and prepare to establish inquiry organs for investors, to give foreign investors a better understanding of the procedures and methods of investing in China and also provide services such as supplying materials on demand; 3) It is necessary to decide on a number of plans, for investors to make a choice; 4) Procedures should be simplified, work efficiency should be improved, and time needed for preparatory work should be reduced.

Question: Why does the law on taxing joint ventures fail to include petroleum projects? What methods are there of organizing joint ventures in exploiting petroleum?

Answer: Profits and expenses in extracting oil are high, and such enterprises cannot be treated in exactly the same say as others. Various forms of cooperation can be adopted for exploiting petroleum. One form is the agreements on exploiting and prospecting for petroleum that we have signed with Japan and France. There can also be other forms. We should judge by the characteristics of an oilfield and the demands of the various countries involved.

Question: What role can Hong Kong play in China's petroleum exploitation?

Answer: Hong Kong can play a very great role in the exploitation of South China Sea petroleum, including providing convenient channels for absorbing foreign investment and supplying the necessary personnel and transport equipment. It can also play the part of a logistics base.

Question: How will China solve the quota problem involved in processing materials for foreign customers in the textile industry?

Answer: Textiles account for about half the products undertaken by China in processing materials for foreign countries. When many of these agreements on processing materials were signed, the United States and Europe had set no quotas for textile imports from China; they only considered China's original textile export capability, and did not take into account products made from processing materials for foreign customers. Our quota is very small and cannot meet our own requirements, so we cannot for the moment accept any more processing of imported materials for producing textiles. We also hope that the factories which took on this business will switch to other trades.

Question: Will China issue certificates of origin for the products of compensation trade factories?

Answer: The compensation trade enterprises set up with government approval can obtain certificates of origin, which are issued by the commodity testing bureaus. Otherwise, the Council for the Promotion of International Trade can issue the certificates. However this council is not counted as an official representative. Compensation trade factories producing textiles can also obtain Chinese certificates of origin if their establishment is approved by the government.

Question: How do you evaluate the closure and straightening out of the Xiangzhou textile mill?

Answer: We recently held a special meeting to sum up the progress of compensation trade and so on. Shanghai alone is already carrying out 58 compensation trade projects, and the situation there is generally satisfactory. The products of some electronics plants are more than 99 percent up to standard and have been praised by Hong Kong businessmen. Fourteen of these 58 enterprises have now fully repaid their investment. The problem of the Xiangzhou woolen textile mill shows that there are still some improvements required in compensation trade. Actually Guangdong has already signed over 3,000 contracts for compensation trade, processing materials for foreign customers and so on. Many of these contracts are being carried out by communes and brigades which higher authorities cannot control, but conditions in only a few of them are poor. Our meeting proposed that this type of enterprise must lay stress on improving management, carry out its contracts, improve product quality and so on. The Xiangzhou mill started to resume production at the end of September after being straightened out.

Question: Do the investment contracts already signed with the Shekou Special Zone need to be revised in accordance with the new regulations, if there are discrepancies?

Answer: If a contract was signed with the Shekou Special Zone before the new regulations were promulated, and the contract is legally valid, the original regulations can continue to apply to it; otherwise, such contracts should be revised to bring them into line with the new regulations.

Question: How much lower are the wages of workers in joint ventures compared with Hong Kong workers?

Answer: There is no clear-cut stipulation. In general the wages there should not exceed 67 percent of those of Hong Kong workers, and are on average probably between 30 and 40 percent of the Hong Kong figure.

Liao Jili Answers Questions

Question: What is two-level financial management? What is meant by taking full responsibility for one's own financial matters?

Answer: In the past financial revenue and expenditure were managed in a unified way, that is to say, all revenue and expenditure were handled by higher authority, and the Ministry of Finance was the only accounting unit in the whole country managing this in a unified way. This obviously would not do. Switching now from one to two-level finance means dividing management of it between the central and local authorities. "Local" means provinces, municipalities and autonomous regions. Of these two levels, the central one assigns a certain amount of revenue to the central authorities, and the local one assigns a certain amount to the local authorities. The profit, customs duties and other revenue from central enterprises is handed over to the central authorities and used to pay for national defense, central ministry administration, investment in central enterprises, and central culture, education and public health. Local revenue, including revenue from local enterprises, agricultural tax, salt tax and other revenue is used to pay for investment in local enterprises, support for agriculture, local administration and other business. Taking 1979 as the base, if revenue is higher than last year's expenditure, the surplus is turned over to the central authorities; if revenue is lower than last year's expenditure, readjustment is made by means of industrial and commercial taxes; if the deficit cannot even be met through these taxes, the central authorities provide a subsidy. After dividing up things in this way, if the localities have increased income and reduced expenditure the surplus is turned over to the local authorities; that is what is meant by full responsibility for one's own financial matters.

Question: Can you predict the figure for state loans next year?

Answer: The state loans this year amount to over 2 billion yuan; these are only the loans for capital construction and not those for floating capital. This 2 billion yuan is only a pilot project. Beginning next year, there will be great changes: all capital, whether capital construction investment or floating capital, will be issued in the form of loans, which means instituting repayment for the use of capital and changing the past method of allocation of funds by the financial authorities. Through carrying out this change, bank loans issued next year for capital construction alone will be several times 2 billion yuan.

Question: In carrying out economic reform, how is the problem of going through the back door handled in personnel management?

Answer: No matter whether the economic system is reformed or not, we resolutely oppose going through the back door in all fields. This unhealthy work style will be dealt with by applying many methods in the course of carrying out economic reform. For instance, when recruiting workers factories must in the future conduct examinations and select the best qualified. This is also the case with upgrading people. These things must be made into a system.

He Jiangzhang Answers Questions

Question: Will the commune system be abolished?

Answer: The rural people's communes remain in collective ownership, and we intend to persist in the collective ownership system, so there is no question of abolishing the communes. Of course they should be improved. For instance, the method of integrating government administration with commune management must be changed, and the functions of their political powers should be determined.

Question: Is there a maximum limit to profit in Chinese enterprises?

Answer: We are currently considering carrying out a price readjustment; the principle is that under normal production conditions and average management standards, the prices should insure that the enterprises can obtain profits corresponding to their capital. This is the average profit rate and the principle used for fixing prices. After the prices have been fixed, enterprises that are truly managed well and that lower their production costs will be able to gain higher profits. The more of this kind of profit the better. In certain cases where profits are obtained not through subjective effort but through natural conditions and geographical environment, the state should call in the profits by means of tax adjustment. For instance profit rate in coal-producing enterprises is lower than that of petroleum-producing enterprises; as a result of last year's price readjustments, the rate of profit on investment in the coal trade was 3.7 percent, while that in the petroleum departments was over 30 percent. Obviously this is not because management in petroleum departments is better than that in the coal departments, but because petroleum prices are set on the high side, while the price of coal is on the low side.

Question: If prices of production and production materials need to be readjusted, does that mean that they will be increased, and how great will the increase be?

Answer: We are indeed preparing to carry out an all-round readjustment of production prices in 1 or 2 years. However, this will not be an all-round price increase, some prices will rise and others will fall.

For instance the prices of many products of the processing industries are too high. We shall start with this point in carrying out the readjustment. On the other hand, the prices of some products which were too low in the past, such as coal production and production of small steel plants, will have to be adjusted upwards. The price departments are currently calculating the ranges of post-readjustment price increases and reductions. Although the price of petroleum is on the high side, we cannot lower the price again since we are at present urging economy in fuel consumption; instead the state will levy a regulator tax.

CSO: 4006

BRIEFS

INCOME TAX REDUCED--Beijing, October 12 (XINHUA)--China has decided to reduce the income tax levied on cooperative shops and small businesses run by individuals, pending the adoption of a new income tax law, according to the Ministry of Finance. This decision was made in line with the current policy of encouraging the expansion of the collective economy while allowing the individual economy to develop to an appropriate extent, says a notice issued by the ministry on October 9. A cooperative shop with an annual profit of 30,000 yuan will pay 11,206 yuan in income tax instead of the previous 15,742.5 yuan--a reduction of 28.8 percent. Similarly, a shop run by an individual which gains an annual profit of 1,500 yuan will pay only 280 yuan in income tax, i.e. 70 percent less than before. [Text] [OW120222 Beijing XINHUA in English 0216 GMT 12 Oct 80]

HEILONGJIANG ENTERPRISE AUTONOMY--In the first 8 months of 1980, Heilongjiang Province's 129 state enterprises, which have been given greater autonomy, increased production output value by 21.7 percent and profits by 32.3 percent as compared to those of the same period in 1979. [SK091424 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 7 Oct 80]

CSO: 4006

CHANGZHOU'S PROGRESS IN FOUR MODERNIZATION DRIVE HAILED

Unemployment Problem Solved

Beijing GUANGMING RIBAO in Chinese 14 Aug 80 p 1

[Article by staff reporter Lin Yushu [2651 3768 2885]: "Changzhou Shines With the Brilliance of the Four Modernizations"]

[Text] As soon as I arrived in Changzhou, I heard two things that I never heard before:

Changzhou Municipality has already basically solved the question of urban labor employment, and unemployed youths and idle workers are no longer found in society there! From 1976 to 1979 the number of workers recruited in Changzhou, with an urban population of 360,000, reached more than 72,000. This year, the various systems in Changzhou Municipality still need to add nearly 10,000 laborers, but the number of such available laborers is limited to about 8,000; hence, there recently has emerged the rare situation in which the labor departments and educational departments are found in a contest for graduating junior middle school students.

Per capita income of the urban population of the Changzhou municipal area is also quite presentable! In 1979, it reached 1,956 yuan. This figure placed it first among the country's 59 medium cities.

At a time when the nation's urban labor employment question has become salient, the results created by Changzhou Municipality help unfold before us the brilliant future of the four modernizations. Changzhou's experience enables us to see the possibility of our solving the employment question and raising the citizens' income in a not very distant period. My dear readers, do you wish to know how the people of Changzhou have created such miracles within a short period? Please follow me, so that we can go to Changzhou together to take a look:

Changzhou is situated in the southeastern part of Jiangsu Province; it is a beautiful and rich ancient city south of the [Yangtze] River. Its length from east to west is 19.6 kilometers, and its width from south to north is 8 kilometers; the area of the whole municipality is 94 square kilometers. On

the map, Changzhou looks like a balloon-guitar lying across the middle section of the Hu (Shanghai)-Ning (Nanjing) Railroad. The Beijing-Hangzhou Grand Canal, well known in China as well as in foreign countries, flows slowly from west to east across the whole city, really just like a string on this balloon-guitar.

In the long years of the old society, the Grand Canal could not wash away all the people's tears of suffering, and the ancient balloon-guitar could hardly play all the people's crying and complaining tunes. When the country was liberated in 1949, Changzhou was full of wounds and all enterprises and professions were in a state of decline and inactivity. The only nine cotton textile mills left were hardly viable, and even the comb industry, long renowned in the world, faced a precarious future. Only in new China did Changzhou gain rebirth. As the Communist Party waved its world-changing giant palm, Changzhou in 30 years has come to put on a brandnew outlook. According to 1979 statistics, Changzhou had 405 factory enterprises; among these there are both light and textile industries in thriving development and industries like machinery, electronics, chemicals, construction materials, etc. There are altogether 239 collectively owned factories, which made up 59 percent of the total factory enterprises. Especially in these latest years since the smashing of the "gang of four," the people of Changzhou have heroically engaged in the work of the four modernizations, and their industrial production has made great strides accordingly.

When this reporter went from the greenery-covered center of the city to the outskirts of exuberant rice paddies and singing cicadas to visit the many factories, I personally saw the Changzhou people's posture in marching forward with great strides, and personally heard the magnificent, stimulating, and pleasant and cheerful music this ancient balloon-guitar was again playing. Those series after series of exciting figures, were they not the notes chirping throughout the musical piece?

In 1979, the value of Changzhou's total industrial output was 3.2 billion yuan, an increase of more than 1,200 times over that of 1949.

From 1976 to 1979, the value of total industrial output continued to increase steadily, with an average yearly progressive increase rate of 13.1 percent. According to the statistics for the first 4 months of 1980, the total industrial output value was 1.182 billion yuan, an increase of 17.9 percent over that of the corresponding period last year. Financial revenues totaled 1.8 billion yuan, an increase of 17.9 percent over those of the corresponding period last year.

The amount of purchase for foreign trade in 1979 was 0.27 billion yuan, making up 10.7 percent of the total purchases of Jiangsu Province and 8.3 percent of the whole municipality's industrial output value, and ranking first in the province. Among the items purchased, those products like the lampwick of the Lotus Lamp Dance brand, which won the 1979 National gold medal prize for quality, and the khaki cloth of the Moon on the Water brand, the printed reversible flannel, the S-195 diesel engine, and the East Wind-12 hand-operated

tractor which won the national 1979 silver medal for quality, have been sold to more than 50 faraway countries and areas and welcomed by foreign businessmen.

From this series of figures, I discovered: Changzhou was marching forward, and its production was making great strides in development. As production developed, there was a need to shore it up with large amounts of labor power. The people of Changzhou precisely expanded their employment by developing their production. Development of production--expansion of employment; further development of production--further expansion of employment: what a beautiful and entertaining duet! Of course, this series of figures is the crystallization of the Changzhou people's labor and struggle; this musical piece has been composed by them with their own hardworking hands!

This was a forenoon in summer; suddenly a world of blossoming flowers and brilliant colors emerged before my eyes. Here in bloom were red, white, blue... flowers of all kinds; there were also strong bamboo and evergreen cypress and pine. In the big forest, an animal concert was going on: the clumsy panda bear was playing the violin; the restless little duck was endlessly singing in a thrilling tone, muttering swallows were flying low.... I was enchanted. But this was not the real natural world; it was made up of patterns of various products in the display room of the Changzhou East Wind Print and Dye Mill.

The East Wind Print and Dye Mill has become known throughout the country because of its great zeal. But the desired quality of products at one time could not be achieved, and even when better products emerged sometimes, their quality could not be maintained. It often happened that a pattern would show plants blossoming inside a wall but bearing fruits outside. In 1978, the party committee at the mill decided to reverse this backward situation. They said: Our mill is situated in a medium-small city; if it is to present a big play on a small stage, it must take full advantage of its own superiorities so as to give scope to its assets and avoid its liabilities. They therefore selected printed fabrics as the main direction of their attack, started energetically to develop the assets of the printed fabrics, and quickly changed the outlook of the mill. At the national textile industry quality appraisal and comparison fair, the printed dacron and printed reversible flannel produced by this mill were judged to be products of famous brands for two consecutive years, and its 34 other products were also judged to be superior products. In 1979, this mill was commended by the State Council. After such results were achieved, the party committee at this mill mobilized the masses to look for existing gaps and make up their minds to continue to raise the level of their products so as to let the people wear even more beautiful things, and strive for more exports and create more foreign exchange in support of the four modernizations. They organized three strategic attack teams to handle respectively the printed dacron, the printed reversible flannel, and the No 190 Shilin [1102 2651] blue fabric, and thereby embarked upon the road of scientific and technological development in order to improve the quality of their products still further. During the past several months, these strategic attack teams all achieved pleasing progress. The work to improve the printed dacron has already led to the production of synthetic-silk products; the quality of reversible flannel has also been improved, its

patterns are now diverse, its colors radiant, and its floss fluffy, and it presents softness to the touch. In particular, they have created a cutting method minus the side thread, giving the flowery patterns a bold-relief outlook. On the road to the four modernizations, they are making great strides forward.

Walking into the Changzhou Diesel Engine Plant, people regularly see this slogan: Win the Gold Plaque, Surpass the "Yanma." The fact is that the 195-model diesel engine produced by this plant won the silver prize in a nation-wide product quality contest in 1979. They are determined to win the gold prize in 1980. But winning the gold plaque is not their ultimate goal. On the basis of investigation and study, they have discovered that the quality of the diesel engine produced by Japan's "Yanma" product and compete with "Yanma" in the international market.

On what does competition depend? It depends on scientific research and technological renovation. In this regard, this plant is very experienced. Through the tapping of potential resources, renovation, and transformation, they themselves manufactured various items of equipment, which make up 60 percent of the main equipment of the plant. During the past 3 years alone, they completed more than 560 large and small renovation projects. In order to raise the quality of its products and compete with "Yanma," the plant also organized strategic attack teams and mobilized the masses to launch technological renovation. In the first half of this year, they improved the cap, muffler, and oil filter in the diesel engine, designed a new structure for the piston rings, and also improved the quality of the paint. When the improved 195-model diesel engine was tested against the Yanma counterpart, five out of eight technical indicators surpassed that of "Yanma," two were comparable to those the "Yanma," and only gas consumption was at a relative disadvantage. The masters of this plant told reporters that only through competition would improvement become possible, and only through competition would they be able to make greater contributions to the motherland's four modernizations. They still wanted to advance further!

In Changzhou, there are still many other advanced factories, such as the lampwick print and dye mill, the tractor plant, the Changjiang electric welding-rod plant, the Dongfanghong dye mill.... Every one of these factories is writing its music for the march toward the four modernizations. Even though this is but an overture, the music already is lighting up the people's hopes and inspiring people's fighting will. If all cities of the country, large and small, come forward to participate in this magnificent chorus, what ringing voices will resound across our vast land....

Editorial Praise

Beijing GUANGMING RIBAO in Chinese 14 Aug 80 p 1

[Editorial by staff commentator: "Changzhou's Experience Inspires the People's Hearts"]

[Text] Changzhou, this ancient city situated south of the [Yangtze] River, is making great strides in the course of the motherland's four modernizations

work. From today on, this newspaper is going to present a series of reports introducing the situation and experience there.

Since the smashing of the "gang of four," our party has led the people of the whole country to march forward in the midst of efforts to overcome one difficulty after another and has enabled us to have full confidence in the sure triumph of our four modernizations work. But there have also been comrades who could not help shaking their heads and sighing when they saw the many troubles and problems, and thereupon they fell inactive, lacking the spirit to forge ahead. Let such comrades take a look at the situation and experiences of Changzhou; they will cause your fears of difficulty and your sense of discouragement to undergo a change.

Our country is proceeding with our four modernizations work under the conditions of a large population, a weak foundation, and low productivity. In particular, the 10-year catastrophe led us to encounter many difficult problems in politics, economics, science, culture, education, etc. These problems, which took shape and accumulated over many years, cannot of course be solved in a single morning; nor is the realization of the four modernizations simple and easy to expect. But we are not going to worry because of this or to shrink from pressing forward. We are dialectical materialists; to acknowledge the problems and difficulties we encounter publicly is precisely to enliven our fighting will so as to overcome them one by one and thereby create a new, beautiful future.

Is this just a posture of sitting around to discuss empty theories? No. We have right before us this good model of Changzhou. It tells people by way of many facts that as long as we adopt the correct line and policies and equip ourselves with the courage and means to overcome difficulties, we can put those difficulties right in the category of "nothing to worry about," and proceed to solve them one by one. For instance, we have conceived that by the end of this century the living standards of our people will have reached a level of "basically well-to-do"--that is, with a national income amounting in general to U.S. $1,000 per person when averaged among the population. Yet in 1979, the national income of the population in the Changzhou municipal area had already reached an average of 1,956 yuan per capita. Also the urban labor employment question may be said to be a great problem in many places and in the eyes of many people, and in the latter half of 1978 Changzhou also faced the task of having to arrange employment for more than 50,000 persons. This was no doubt not a very small amount of pressure being imposed upon a city of only slightly more than 300,000 population at the time. But they were by no means deterred by this difficulty. During the past 2 years they developed their collectively owned economy through the development of production, opened up extensive avenues for employment, and fundamentally solved this question, even bringing about a labor shortage situation. Furthermore, it is a difficult problem to carry on the four modernizations with insufficient capital and weak technical forces; Changzhou Municipality likewise faced this difficulty. But they did not sit there and wait, nor did they stretch out their hands. Instead, they relied on their own strength, took the path of tapping their potential resources, renovation and transformation, and caused

many new technologies and new techniques to be applied, so that since 1965 their industrial production has increased steadily and continuously, with a yearly average progressive growth of 12.9 percent in their gross product....

Changzhou's experience tells us that, toward the work of the four modernizations and toward the various difficulties that exist at present, we must first of all have the confidence to fight to victory; at the same time, we must adopt correct methods for solving them. This is what Comrade Mao Zedong pointed out many times--that is, we must despise difficulties strategically and respect difficulties tactically.

To despise difficulties strategically means to emancipate our thinking. More than 100 years ago, Marx and Engels expressed extreme contempt for this huge thing called capitalism and declared that it was bound to become extinct: this was the great emancipation of their thinking. Similarly, more than 50 years ago, Mao Zedong and the old generation of proletarian revolutionaries, in the face of the powerful imperialism and feudalism oppressing the Chinese people, were determined to overthrow them: this was also the great emancipation of their thinking. In carrying out our four modernizations work today, especially in treating the difficulties we face at present, we too must emancipate our thinking and adopt a posture of looking down from a higher stand, e.g., of building the concave channels of tiling from the ridge of the tall house. If we continue to follow conventions, old experience and old methods, we will find it hard to advance one inch and impossible to overcome the difficulties facing us. What is precious about the Changzhou experience is that in the course of practice they broke down many conventions, continued to study new situations and solve new problems, adopted fairly flexible policies in finance, commerce, foreign trade, material supplies, etc., in support of production development, and made their economic work and their scientific and technological work lively, so that the national economy was given a faster development.

At present, our task lies in carrying forward the four modernizations; it will not do to handle them slowly; nor will it do to handle them blindly. In treating difficulties, we must be realistic--that is, tactically we must respect all difficulties. We must have a scientific attitude toward every concrete problem and study and adopt practical and feasible ways of solving it. Otherwise, to boast, to utter empty words and false words, to suggest at random some "courageous" excessive targets, or to resort to bullish subjective efforts would not only be of no help to the solution of problems but might even create new ones. Another precious point about the Changzhou experience is that in the development of their local industries and in the development of their new products and new techniques, they did not seek false reputation and did not work blindly, but cared very much about practical results in a most down-to-earth way. Every time they worked on a new product, they would consider the needs of the state and the people and do their best to achieve its smooth sale and relevant consumption. Every time they established a new factory, they would pay great attention to economic results and strive as far as possible for minimum investment, fast results, and maximum benefits.

As long as we emancipate our thinking, penetrate realities to conduct investigation and study, and seek truth from facts, even if problems become mountains, troubles become mountains, and difficulties become mountains, we can still conquer these mountains by relying on the strength of the people and thereby create a new world emanating brilliance in all directions. This is the inspiration and enlightenment that the experience of Changzhou Municipality has given us.

9255
CSO: 4006

CHANGZHOU'S PARTY SECRETARY DISCUSSES ITS DEVELOPMENT

Beijing GUANGMING RIBAO in Chinese 15 Aug 80 pp 1, 2

[Article by staff reporter Tao Kai [7118 6963]: "Make Use of Superiorities, Develop Applied Technologies--A Talk by the Secretary of the Party Committee of Changzhou Municipality"]

[Text] How did Changzhou's local industries get developed? How did the municipal party committee there guide ideology and grasp economic work? With this question in mind, this reporter paid a visit to Party Committee Secretary Comrade Xu Zhi [1776 2535] on the evening of 25 July . In a small conference room, Xu Zhi humbly told us: "I came to Changzhou only half a year ago, and I am still trying to understand and learn." Then he said: "Over the years, there was a fundamental thinking with which the municipal party committee guided our economic work, and that was that in running the four modernizations and grasping economic work, we must seriously grasp scientific and technological work well. The reason is very simple: without grasping scientific and technological work, without paying attention to the expansion and application of scientific and technological achievements, we shall forever crawl behind other people. We must catch up and surpass; we must create and renovate; and we must work out our own characteristics. Without science and technology as vanguards, it will be impossible to achieve all of these things. As far as I can see, there have been many reasons why Changzhou's local industries have developed very fast, and an important one has been paying attention to utilizing its own superiorities and energetically developing applied technology."

"Making use of superiorities and developing applied technology is indeed an important question. Can you talk a bit about this more specifically?"

After a pause for thought, Xu Zhi replied: "We may perhaps make this analysis of the question of superiorities: Throughout last year, Changzhou's total industrial output value was 3.24 billion yuan, of which the output value of light and textile industries alone made up 51.3 percent; machinery and electronics industries also had certain definite foundations. In last year's national product quality appraisals, these several trades earned a gold plaque and six silver plaques; 12 products were appraised as fine quality

products or famous brand products. This is to say that the relative development of light and textile industries was our superiority. But the development of light and textile industries requires technology. Therefore, giving scope to the superiority of light and textile industries also means, in a certain sense, giving scope to superiority in technology."

"In what respects have Changzhou's technological superiorities been reflected?"

Xu Zhi said: "In reply to your question, let me take the textile industry as our example. The technological superiorities of Changzhou's textile industry may be said to be reflected in four aspects: First, the history of Changzhou's textile industries is relatively long; the production of lampwick, for instance, was started in the 1950's, and thus there has been a certain technological foundation. Second, the technical training work in Changzhou's textile and printing-dyeing operations has never been interrupted. In the past a teacher would take on apprentices, with the latter learning by observing the techniques applied; later, technical schools were established, so that the textile-dyeing technical forces in this city have been fairly strong. Third, because this city has always paid attention to giving full scope to the technical specialties of various factories, if a factory is good at producing a given kind of products, it is accordingly organized to produce that kind, so that each factory has acquired a traditional product with characteristics of its own. And fourth, various factories have regularly organized technical studies, strategic technical attacks, and product analyses, and hence they have fostered an atmosphere conducive to the pursuit of techniques for continued elevation of their technological level. These traditions on the part of the textile trade have also had an impact on other newly developed trades. Hence, the other trades have acquired their respective technical superiorities."

The subject of conversation was now directed to the question of applied technology. This reporter asked Xu Zhi to explain in detail how Changzhou Municipality developed its applied technology by making use of its superiorities. He gladly accepted my request to speak with unending eloquence:

"First of all, when making arrangements for our scientific research plans, we place our main forces in the industries, especially the light, textile, and electronics industries, so as to work out more scientific studies and renovations with respect to food, clothing, items of daily use, and housing. Take 1980 as an example: of the 800,000 yuan of scientific research funds allocated from local revenues for control and use by the municipal science and technology committee, about 80 percent were used for industry; and among the industries, scientific research funds for light, textile, and electronics industries made up more than 50 percent.

"Next, in the selection of scientific research subjects, we seek to elevate labor productivity closely around the realization of high quality and great productivity, and to improve labor conditions for the development of new products, the economic use and substitution of raw materials, and the treatment of the three wastes. In our study and production of new products and new materials, those which do not possess the conditions for being put into

production are usually avoided. In the case of light and textile products and electronic products for civilian use that could help give scope to Changzhou's superiorities and create Changzhou's characteristics, we would like to make a go of them. We would also like to make a go of products of which the state happens to face a shortage and a gap. And in the case of products which require less investment, yield faster results, and create more foreign exchange, we would like still more to make a go of them. To put it in our own words, this is called achieving the desired level, creating characteristics, making up shortages, and filling gaps.

"Thirdly, in the organization of scientific and technological forces, we pay attention to giving scope to the role of technical personnel at the factories and enterprises. We feel that in order to develop applied technology, we must first grasp closely the technical renovation of existing enterprises. To do so would be more practical, and it would be easier to reap results. This is because: 1) We have 405 factories which produce products of more than 3,000 kinds and descriptions; in the case of many scientific study subjects, if we relied only on existing research institutes, their tasks would be very hard to accomplish. 2) Even in the case of scientific and technical results already obtained by the research institutes, they still need to be united with production, and there were still many technical problems which had to be solved through study at the factories. 3) Of Changzhou's engineering and technical personnel, 90 percent were assigned to the factories; apart from their efforts to grasp well the technical questions in their production at present, there was still a great potential among them to be tapped. 4) When the factories resorted to scientific research and renovation, they were able to make use of the existing equipment and grounds of these factories and to save operational funds, and this was beneficial to the mutual promotion of scientific research and production. Today, we have in the whole municipality altogether 19 various research organs and more than 520 scientific and technical personnel. Also in the whole municipality there are 94 factories which have developed a special contingent of forces for scientific research and technical renovation; some of them are called research institutes and some of them are called technical renovation strategic attack teams, and together they have more than 1,400 staff members and workers. Of this number, more than 800 are technical personnel. From these figures, we can see that the technical personnel of factories and enterprises make up a contingent of forces that cannot be overlooked."

After listening to the above introduction, this reporter felt better informed about the principles as to how Changzhou Municipality has made use of its superiorities to develop applied technology and serve the present local economy, but he could still not perceive what the results of their execution were. Xu Zhi saw through this reporter's thoughts and, without waiting for his questions, continued his talk.

He said: Three great benefits have been obtained from putting those principles into practice: First, the subjects selected [for research] have been fairly relevant and suited to realities, and the rate of their completion has been fairly high. During the 10 years from 1970 to 1979, 275 scientific research

projects altogether were set up in the entire municipality; 155 of these projects have already been completed, and they make up 56.4 percent; 83 of them are in progress at present, and they make up 30.1 percent; 37 of them have been canceled through readjustment, and they make up 13.5 percent. This means that 86.5 percent of the projects have been operative. Second, results have been achieved quickly. Of the 155 projects already completed, it can be seen that 96 have already achieved economic results; altogether they have created 1,598 yuan in tax revenue and profits that amount to 136 percent of the total investment. Third, the development of production has been promoted. Among the scientific research projects, 88 had to do with the study and production of new products, and 14 of these developed into workshops or new plants. Among the new products thus produced, 53 have already yielded economic results, submitting 1,151 yuan in taxes and profits to the state treasury.

Xu Zhi emphasized once again: "Basic theoretical research is not a principal task for a medium-small city like ours; nor does the state require this of us. If we had not insisted on the principle of taking the development of applied technology as our principal task, we would not have opened up new prospects for our scientific research work, we would not have actively developed them, and we would not have given scope to our superiorities. On the other hand, since we have insisted on this principle, we have further strengthened and developed our superiorities."

This reporter asked: "How then have you been developing your superiorities?"

Xu Zhi said: "We may see this in the following ways: First, when we arranged our scientific research and renovation, we placed emphasis mainly on the study and production of new products. If a factory fails to produce new products for many years, it will lack the ability to compete in the domestic and international market, and the enterprise will become listless. But if it seizes a new product which requires advanced technology and is suitable for sales and relevant to consumption, this can often lead to the emergence of a series of supplementary factories and production workshops, making up a whole productive system and thereby promoting the development of the entire local industry. Therefore, we have reason to take the study and production of new products as the key task of our scientific research and give it priority ahead of production itself. In this way, we have going on at the same time new products being prepared for production, new products in the process of being studied and produced, and new products being planned and held in reserve.

"Second, the organization of a "chainlike" coordination. For instance, in the case of the lampwick "chain," eight plants--from spinning, weaving, and cutting to printing and dyeing--were organized together. All had the ultimate quest of the production of high-quality products, and each gave full scope to its superiorities. There already are eight such "chainlike" production coordination fronts in the city. Such coordination is now entering a new development, as cross-trade plants are beginning to be organized. For example, there are altogether eight plants devoted to the production of

electric fans; each belongs to a different system, and so each pursues its own work. At present, preparations are being made to have them organized together without any change of ownership, and better quality electric machinery produced by telecommunications and electric machinery plants is to be selected for joint use. Only three products are to be turned out: one is low-class, one is high-class, and one is of the folding model. We came to realize that coordination could help us develop our superiorities and create new productive forces.

"Third, appropriate importation of new technologies and new equipment. Allowing old factories to import new technology and new equipment is much faster than building new factories. For example, when the state's No 1 cotton textile mill in Changzhou Municipality imported a set of 10,000-spindle open-end spinning equipment from Japan, it took only 11 months from construction of the necessary plant shop to installation of the equipment to test-production. Of course, the importing of new technology and new equipment does not thereby exclude the old equipment, as such old equipment must continue to carry out transformation and play its role."

Xu Zhi followed up by saying: "Whether in giving scope to superiorities or in developing applied technology, scientific and technical personnel are needed. We always say: Production is today, science and technology are tomorrow, and education is the day after tomorrow. Tomorrow and the day after tomorrow will also become today. If we fail to grasp the training of needed personnel closely, it will be hard to maintain or to continue to develop our superiorities. We are still rather weak in this regard, but we have already seen this, and we are considering the necessary solution right now."

The conversation came to a close. From Xu Zhi's talk, this reporter deeply felt that the people of Changzhou really have the mementum to strive forward in high spirit. As he stepped out of the conference room, a whiff of hot air rushed against his face. This was the hot air south of the [Yangtze] in summer. But was not this also the steaming enthusiasm of the people of Changzhou in theri march toward the four modernizations!?

9255
CSO: 4006

PLANS, ADVANTAGES OF JOINT OPERATIONS OUTLINED

Nanjing XINHUA RIBAO in Chinese 27 Jul 80 p 2

[Article by Huang Jianzhi [7806 0256 0037], general manager of the Nanjing Radio Corporation]

[Text] Our Nanjing Radio Corporation here in China is the joint operation of 38 factories with a total of 30,000 staff and workers. It comprises one directly subordinate factory, 10 local factories owned by the whole people and 27 factories of collective ownership. Among these, 10 manufacture complete sets and instruments, 18 manufacture components, nine manufacture component parts and one factory manufactures assembly parts. The products are mainly of four types: radio communications equipment, radio and television products, primary and component parts, and measuring and testing instruments. The industrial production of all these factories amounted to over 500 million yuan last year, and the factories turned over 40.8 million yuan in profits to higher authority.

What are special features of our corporation? It is organized as a joint corporation with one directly subordinate factory as key factory and over 30 local factories. There was no change in the nature of the present ownership systems, nor in the present financial channels, but consideration was given to the economic interests of the various parties involved. The corporation has unified leadership, unified planning organization and unified business management. At the same time the factories are left with an appropriate measure of autonomy. It is a composite enterprise combining "four operations into one," namely scientific research, production, marketing and servicing. This is all an experiment and a trial in the course of the present reform of our economy.

To work as a joint operation is to gain certain advantages. What advantages can we gain? Firstly, the directly subordinate plant and the local factories, the ownership by the entire people and the collective ownership, all have their strong points and their weak points. For instance, the Nanjing Radio Plant has a certain superiority in the planning and trial-manufacture of its products. The Nanjing local factories have a certain superiority in production capacity. If the two are combined, the strong points are extended wider and the weak points are reduced, thus more product varieties can be developed, production

increased quantitatively and the way opened for further advantageous developments. Secondly, there are fairly advanced items of shortwave and satellite ground equipment, weather satellite receivers, "Panda" and "Red Star" brand products, loudspeakers of fairly high quality, electric potentiometers, thin film variable condensers, procelain condensers, measuring and testing instruments for microwave frequency meters, and frequency standard instruments, which are leading products throughout the country, and many other items. If they are manufactured as a joint operation, further developments can be achieved in manufacturing these well-known brands of highly advanced quality. Thirdly, there is a fairly abundant technological capacity. We have over 1,670 technical personnel, there are seven design offices, namely for semiconductor parts, loudspeakers, television products, measuring and testing instruments, radio communications items, etc.; there is also a certain capacity for molding. If all this technological strength is brought together in one organization, sharing out work and cooperating with each other, bringing into full play its entire effectiveness, the development of production and technology can be speeded up. Fourthly, as a joint operation, with gradually developing specialization, gradual adjustments and technical reforms, we shall change the present situation where we have factories that are "large and complete" and "small but complete." We shall organize socialist mass production and continuously raise the competitiveness of our products.

All these advantages refer only to the internal workings of our corporation. Considering our country's electronics industry as a whole, we are still only just a tiny dot. Our output, technology and our administrative management are still very backward in many respects. Working as a joint operation, we can extend the advantages and avoid shortcomings, and we can one step further develop our present capacity. We can fully tap the latent potentials, create new production forces and speed the pace of our advance.

How to operate a joint organization? This is a question that is much on the mind of our cadres of all levels, and of the broad masses of our staff and workers. Basing on the decisions and demands of the present board of directors of the corporation, we may set forth our initial plans and objectives as follows:

1. We shall continue to rely on the impetus that helped establish our corporation to grasp well the various tasks that have been outlined for us and to fulfill and overfulfill them this year so that we shall be certain to reap the fruits of joint operation.

This year we shall allot a certain quantity of new products to supply the needs of the market. The semiconductor receivers of the "Small Panda" brand, which the Nanjing Radio Plant had designed and manufactured on a trial basis, have in the past been marketed at 26 yuan a piece. A newly designed receiver is to cost less than 20 yuan. It will be cheap and good, but production capacity is only 20,000 sets. We plan to organize the entire corporation to cooperate in the manufacture of its components so as to achieve with hard work a production of over 100,000 sets, to be marketed around New Year and at the time of the Spring Festival. We also intend to increase production of the

"Panda" brand table-model two-wave band semiconductor receivers and television sets. The increased production will be 80,000 television sets and 200,000 receivers. We also intend to increase the production of loudspeakers, potentiometers, small dual duplex capacitors, low and medium frequency capacitors, magnetic rod antennas and plastic processing and moldings.

In the latter half of this year we also intend to make a solid effort to firmly grasp the manufacture of new items on a trial production basis. This year over 10 complete sets and over 50 items of components are being designed in their final forms. They will most certainly go into production item by item. When all these matters will be well in hand, they will provide a good foundation for next year's diversification of designs and colors, increase in output and improvement of product quality.

2. We shall promptly make arrangements to plan next year's output and the various products to be manufactured. Great efforts will be made for a considerable development and improvement of product quality and economic efficiency, and toward a breakthrough in adjustments, reorganizations and technological reforms.

We intend to exert a great effort next year in our scientific research and in the trial production of new items. Over 140 such items have already been scheduled by the seven design offices and the design departments of the various factories. Apart from trial production of a new line of single sideband radio sets, 3-meter ground stations, etc., the Nanjing Radio Plant will try to achieve new successes with color television sets, color video recorders, stereo recorders, large table-model 3-band receivers, etc. Our more than 20 component factories plan for greater relaibility in their products of next year, also greater variety of products, lower production costs, below those of similar items produced domestically, and larger quantities to satisfy the assembly needs of the corporation and to fulfill delivery contracts. As regards instruments and meters, new items are to be speedily developed in our research and are to be manufactured at an advanced level which will surpass anything in China and abroad, while the scope of their applications will be expanded. The manufacture of new products for which various units have already finalized the design this year, will be energetically carried out next year. Old brand products are to be further developed and new brand products to be created.

With regard to technical reforms, those projects that have already been started will be energetically completed. Whatever had been completed shall be maintained, investments are not to be altered and efforts shall be made for completion of projects in advance of schedules.

Adjustments and reorganizations are an important and complex task. Where investigation and research have already been carried out, adjustments are to proceed gradually on the basis of prevailing conditions, so that production at the factories will become specialized and the business of the corporation become diversified.

To raise economical effectiveness is the most important policy governing the corporation's business. Next year we shall concentrate efforts on business accounting in the enterprise to improve its management. The factories shall separately earmark for the state a fixed amount of profit depending on their actual conditions. A percentage of the extra profits and a percentage of the amount exceeding the planned profits shall be distributed and retained respectively in order to further increase zeal at the factories. The bonus to staff and workers and the profits of the enterprise shall be linked together in accordance with the relevant state regulations and the principle of distribution according to work so that more is received by the state, more retained by the enterprise and more earned by the individuals.

3. A force shall speedily be organized to formulate the corporation's three-year, five-year and 10-year developmental plans, but first of all we must aim at achieving great results in 3 years.

To speed up scientific and technological development, we must firmly determine to strengthen and improve the existing design offices and to gradually form a company-wide center engaged in scientific research and trial production, technological research, technological information collection, standardization of products and measuring so as to achieve new heights in research and trial production of electronic components, radio and television sets, redio communication instruments and measuring and testing instruments. At the same time a technological research institute must be established most speedily to serve our production. We intend to achieve marked successes within three years in the area of wider use of new techniques, new technologies, and in new materials and new equipment.

We shall make great efforts to strengthen market research and market forecasting to provide up-to-date information on the domestic and foreign market trends and trends in technological developments. We shall energetically and boldly capture the international markets, develop foreign trade, develop "joint investments," and establish special lines for export. At the same time we shall use the present retail outlets and maintenance and service points to further stimulate business and improve our services. We shall establish a service network, first in the big cities and later in the medium-and small-sized cities.

We shall in real earnest strengthen the leading bodies at various levels within the corporation. We shall strengthen the ideology, organization, work style and work performance of the rank and file of cadres, staff and workers. According to the demands of the Central Authority, the ranks of cadres shall be rejuvenated gradually and shall comprise more specialized men. The educational, technological and work performance levels of staff and workers shall be raised continuously and great efforts shall be expanded on nurturing and developing capable men. To run business enterprises is something new to us. The broad masses of cadres, especially those in leadership positions, must earnestly study and research domestic and foreign experiences in successful management of enterprises and constantly improve their own ability in the course of actual practice.

On the foundation of our production development, we shall continuously improve the cultural and material livelihood of our staff and workers. Establishment of facilities for staff and workers' welfare, originally determined at the various factories, the construction of dormitories, etc., shall proceed according to original plans. At the same time the corporation shall also investigate and research the livelihood of its staff and workers and form a unified plan.

Organization of joint corporations is an important item of our economic reform in the structure of business management, which will certainly entail new changes in various directions. Our business administration at various levels, especially the cadres in leadership positions, must keep pace in their way of thinking, work style, work methods and habits with these changes and adjust to them. We shall maintain an open mind in trying to learn from every locality and every municipality. We shall learn from Shanghai and we shall learn from Beijing. We shall learn from every advanced area and enterprise and launch technological and economic cooperation on a much broader scale. On the advanced road of strengthining joint operations, developing joint operations and reforming management, we shall possibly meet new topics and encounter new difficulties. The entire body of staff and workers of the corporation will be of one mind and will dedicate heart and soul and unite as one in our determination to carry out reforms, to advance, to blaze new trails, to exert all efforts for greater achievements, and to make our contribution to the realization of our Chinese-style modernization.

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LOCAL FORUM ON CHINA'S ECONOMIC REFORM REPORTED

HK100816 Hong Kong TA KUNG PAO in Chinese 7 Oct 80 pp 1, 4

[Report: "Well-Known Hong Kong Figures Attend Forum Sponsored by TA KUNG PAO and Point Out That China's Economic Reform Is Beneficial to Hong Kong and that Mainland China Has Gradually Become a Prospective Market for Hong Kong Goods"]

[Text] Nine well-known figures in Hong Kong's industrial, commercial and banking circles attended an economic forum sponsored by TA KUNG PAO yesterday. They noted that Hong Kong will continue to benefit from China's reform of its economic system. Judging from past trade figures, Hong Kong has once again become an entrepot for Chinese goods. They envisaged that China's foreign trade figures will continue to rise along with the economic readjustment. Apart from benefiting Hong Kong's overall economy, this will also bring even more business to Hong Kong's finance, port facilities, shipping, transport, construction and telecommunications industries and will aid Hong Kong's economic development.

The forum sponsored by TA KUNG PAO was held in the Jasmine Room of the Mandarin Hotel yesterday from 1230 to 1600. The participants expressed their views on the international economic situation and China's reform of its economic system, as well as their influence on Hong Kong's industry and commerce. The well-known figures invited to the forum included: Sir Y.K. Pao, chairman of the Worldwide Shipping Group and chairman of the International Association of Independent Tanker Owners; Richard Charles Lee, a well-known figure in society; Wu Zhichao, executive director and deputy general manager of the Chinese International Trust and Investment Corporation; Fang Shangui, senior deputy general manager of the Hong Kong branch of the Bank of China; Tang Bingda, chairman of the Chinese General Chamber of Commerce; Ni Shaojie, chairman of the Chinese Manufacturers' Association; Wang Kuancheng, vice chairman of the Chinese General Chamber of Commerce; Michael Y.L. Kan, director and chief manager of the Bank of East Asia; Woo Hon-Fai, chairman of the Chinese Gold and Silver Exchange Society and chairman of the Kam Ngan Stock Exchange.

The forum was presided over by TA KUNG PAO director Fei Yimin. Li Xiawen, deputy director and chief editor of TA KUNG PAO; Ma Tingdong, deputy director and deputy chief editor of TA KUNG PAO; and Zhao Zelong, deputy chief editor of TA KUNG PAO, also attended the forum.

Fang Shangui first of all talked about the international economic situation. He noted that the current economic trend in the West is: Economic recession has come relatively early to the United States and has not yet been stabilized while in West European countries other than West Germany, France, Holland and Belgium, recession is coming more slowly. The Japanese economy has also begun to slow down. In a word, economic recession is effecting everyone and it will surely have adverse effects on international trade.

In reference to Hong Kong's economy, Fang Shangui said: Hong Kong's foreign trade was still quite good by the end of last August, and it was not seriously affected. However, Hong Kong's industrial and commercial circles are still rather worried about Hong Kong's economic prospects. This is because many industries are being affected by the economic recession in the United States and their export markets have dwindled. In particular, the textile industry has been very seriously affected. The recent increase in interest rates has demonstrated that inflation in the United States is still very severe and the U.S. economy will probably recede further.

He continued: Let us go back to the trading situation between China and Hong Kong. In recent years, Hong Kong's economic policy has developed toward diversification. If Hong Kong can open up the China market, then it will be very beneficial to the Hong Kong economy.

Fang Shangui said: Over the past year, trade between Mainland China and Hong Kong has greatly developed. China has gradually become one of Hong Kong's important export markets. It ranked 10th last year and ranks 9th this year. Hong Kong has also once again become China's entrepot; and trade between the two parties will continue to increase in the future. Mainland China will increase its use of Hong Kong's harbor, railway facilities and container terminals; and this will bring a lot of business to Hong Kong. China will also have business connections with Hong Kong's finance and construction industries, thus stimulating Hong Kong's capital construction and promoting investment in Hong Kong.

Fang Shangui Talks About Eight Main Points Concerning China's Economic Development

On the other hand, Mainland China's investments in Hong Kong and joint ventures with Hong Kong's trading circles as well as joint venture undertakings launched by Hong Kong's enterprises in Mainland China will also increase.

Fang Shangui later gave an account of the eight main points in China's economic development: 1) To fully expand self-management rights in state enterprises; 2) to organize different forms of economic combinations; 3) to extensively develop market competition; 4) to allow the banks to do their business independently; 5) to gradually reform the tax system; 6) to practice regulation by market mechanism under the guidance of state plans; 7) to continue to reform the foreign trade management system; and 8) to strengthen economic legislation and judicial work.

Sir Y.K. Pao Says It Is Necessary to Increase Exports to Develop the Four Modernizations

When referring to the reform of China's economic system, Sir Y.K. Pao held that the most important thing is to allow the enterprises to have self-management rights. As for the two-tier system in which the central government and local authority have a vast territory, there will be a lot of problems if everything from the central to the local authorities is controlled by one department. [Missing closing quotation as published]

Sir Y.K. Pao suggested: Since China needs a large amount of money to realize the four modernizations and to introduce advanced technology, it should immediately increase its exports, especially of energy resources. At present, the production of petroleum has been bogged down and the increase in coal production is not very high. Moreover, there is the problem of transportation to be solved.

Sir Y.K. Pao emphasized in conclusion: Without democracy, it will be impossible to achieve the four modernizations. Public opinion should exercise supervision.

Ni Shaojie Advocates That More Economic Powers Should Be Delegated

Ni Shaojie said: In the course of reforming the economic management system, we should permit the organization of different forms of economic combines and allow different areas, departments and enterprises to take advantage of their own specialties, bring into full play the advantages, avoid the shortcomings and complement one another so as to achieve the greatest effects with the minimum input. To use a common expression, this means delegating economic powers, and they must not be too centralized as in the past.

At the same time, we should also encourage competition; and we must no longer engage in regional isolation and division among different departments. Nevertheless, we must pay attention to advocating coordination amid competition.

Wu Zhichao Discusses Three Issues to Which Attention Must Be Paid in Reform

Wu Zhichao put forward three issues to which attention must be paid in reforming the system: 1) The spirit of reform should be realized in separating the functions of party and government on the basis of bringing democracy into play and economic concentration should be achieved on the basis of bringing democracy into play. 2) Reform should be carried out in accordance with socialist principles, which include planning, proportionate development, to each according to his work and from each according to his ability. 3) Observe economic laws. The past enterprise management method of "laymen managing expoerts" simply did not work. The great calamities in recent years caused China to lose a large number of talented people, especially of the younger generation. There are now not enough experts. He said that in the course of reforming the system, it is indeed an urgent task to strengthen the training of talented people.

Richard Charles Lee Points Out Two Major Weak Points in Economic Reform

Richard Charles Lee held that scientific management and cost accounting constitute the weakest link in China's current reform. He said: A common phenomenon among the enterprise units in Mainland China is that they are top-heavy. There are too many chiefs and not enough Indians. As a result, productivity and efficiency have been low. Second, because of the lack of scientific management, work design and unified planning is simply nonexistent and many places are in a mess. Moreover, because of the lack of cost accounting, many people are holding an iron rice bowl and ignore production efficiency.

Michael Y L. Kan Says the Banks Must be Allowed to Do Their Business Independently

Taking the stand of the banking circles, Jian Yuelong said: The fact that the banks are allowed to do their business independently is very beneficial to economic reform. The banks can not only provide leadership, assist the circulation of funds and provide loans in support of economic development, but they can also monitor the healthy development of enterprises and provide guidance for different enterprises regarding management experience and financial management.

He said: What is equally important is the future employment question. China's new economic policies have provided individuals with a choice of employment opportunities. The enterprises should also be given the right to choose. They should only hire those workers whom they think are suitable and they should not necessarily hire those who are unsuitable and assigned to them by the higher levels.

The fact that the central authorities are delegating the power for economic reforms, expanding the self-management rights of all enterprises and units throughout the country and allowing them to assume sole

responsibility for their profits or losses and compete with one another so as to speed up the four modernizations is well intentioned. However, there is also some confusion. Tang Bingda said: We are currently undergoing reform. As a matter of fact, China lacks talented people and other conditions. As a result, there has been much confusion and contradiction in China's foreign trade over the past few years. Many units have done their utmost to gain foreign exchange. They have even ignored business morality and feuded with one another, causing great confusion in overseas markets. In the end it is the state that loses. This is certainly not worthwhile.

He hopes that in the future, leaders of all enterprises and units will establish the idea of "coordinating all the activities of the nation like pieces in a chess game" and strengthen the thinking of taking the overall situation into consideration.

As for the relations between China's reform of its economic system and Hong Kong, the speakers all held that Hong Kong will surely be the principal beneficiary of the prosperity, stability and economic development of Mainland China. They envisaged that the economic connections between China and Hong Kong will become even more frequent in the future. All the participants are very optimistic about the future in this respect.

Woo Hon-Fai's Analysis That Economic Reform in Mainland China Is Beneficial to Hong Kong

Woo Hon-Fai noted: China's economic reform holds many advantages for Hong Kong. For example, Hong Kong's import and export trade has increased very rapidly. It has increased by six times over a period of 3 years, thus bringing many direct and indirect benefits to Hong Kong.

Some people are worried that Hong Kong might become a rival of Mainland China in the course of its economic development and thereby suffer losses. However, Li Mingze held that they need not worry about this. There are in fact business opportunities everywhere and it all depends on people's own endeavors.

Hu Hanhui held that it will be some time before China actually realizes the four modernizations. Hong Kong should be able to make use of this period of time and turn its shortcomings into strong points to adapt to the future environment.

He said: "For example, Hong Kong's products have gradually developed toward high precision and high quality and production has been diversified. The electronics industry may make use of the special economic zones to carry out processing work and thereby reduce its costs. In addition, some trades which occupy a large surface area such as the furniture industry, rattan work industry, building materials industry and shipbuilding industry may move to the nearby special economic zones. So

long as we strengthen our consideration in this respect, Hong Kong will not be too seriously affected even when China successfully achieves the four modernizations in the future.

With reference to the question of the special zones, Ni Shaojie said: Hong Kong's industrial circles cherish high hopes for the building of the special zones. If the special zones can coordinate with the special features of Hong Kong's industry and develop themselves into areas of heavy industry or light and heavy industries, they will enable Hong Kong's industry to develop even faster. Jian Yuelong said: Hong Kong has become the world's third largest financial center. China may raise the capital it needs for the four modernizations here and it may even issue bonds and securities here.

Tang Bingda and Wang Kuancheng Look Into the Future of the Chinese and Hong Kong Economies

Wang Kuancheng said: China's economic measures including contracted processing work, compensation trade and cooperative undertakings will bring about unexpected prosperity in Hong Kong's industry and commerce. Hong Kong's industrial and commercial investors will not only earn a reasonable profit from their investments in China, but will also contribute to China's plans for the four modernizations.

Tang Bingda also said: China's progress will surely benefit Hong Kong at the same time. He said that the 1980's will be the "golden age" for the economies of China and Hong Kong.

(Detailed records of the forum will be carried in the No 1 issue of the special publication on the Autumn Trade Fair compiled by TA KUNG PAO.)

CSO: 4006

ECONOMIST SPEAKS ON REFORMING ECONOMIC SYSTEM

HK110624 Hong Kong TA KUNG PAO in Chinese 9 Oct 80 p 4

[Report: "Liao Jili Says There Are Four Aspects in Reforming China's Economic System"]

[Text] Liao Jili, board member of the State Planning Commission, yesterday delivered a speech entitled "New Progress in Reforming China's Economic System" at the seminar [on new development trends in China's economy] sponsored by Ching-Chi-Tao-Pao. He noted: In adhering to the orientation of reforming China's economic system, we must proceed from the conditions of the development of productive forces in the Chinese society and the socialist economic characteristics, act in accordance with major issues of the current system and determine the way forward for the country on the basis of conscientiously incorporating foreign experience.

Referring to the requirements for reforming China's economic system, Liao Jili said that there are four major aspects:

First, it is imperative to perfect and develop the preliminary reform which has already begun. China's experiments in expanding the self-management rights of enterprises have primarily centered on the division of profits. From now on, these experiments should be expanded to planned arrangements, the supply of raw and processed materials and equipment and the selling of products in order to enable our enterprises to have the necessary self-management rights of establishing horizontal links among them. At the same time, in close connection with economic readjustment, we should bring about a relatively great development of the reorganization and integration of the existing enterprises.

Second, it is imperative to stress successfully reforming various aspects such as prices, tax revenue and credits. Of these items, the credit aspect is worth mentioning. We should turn the state budgetary appropriations (including capital construction investments and circulating fund quotas) into bank credits in a planned way, use funds on condition that funds used will be repaid and given full play to the regulatory role played by banks.

Third, it is imperative to strengthen the guiding roles played by plans. The state should concentrate its effort on achieving an overall balance and formulating medium-term and long-term plans and do well in formulating plans and making arrangements for the major targets of economic development, major proportional relations, the people's living standards, the scope of capital construction and other major construction items. Annual plans should be primarily aimed at achieving the balance of financial revenue and expenditure, the balance of funds for extending credit, the balance of goods and materials distribution and the balance of foreign exchange revenue and expenditure.

Fourth, at the same time, it is imperative to gradually establish comprehensive economic departments at all levels and the relevant information organs and forecast systems and strengthen planning and statistical organs, banks, and tax and pricing organs. It is also imperative to adopt all kinds of measures to train a group of economic management cadres in specialities.

Liao Jili admitted that China has very serious bureaucratic problems, saying: In making trade contacts with China, many foreign friends first felt that they could not find the ways and then felt that they did not know which government office has the final say. These phenomena are the irrational products of the current economic system.

Liao Jili Answers Questions

Liao Jili also answered some questions raised by the participants at the seminar. The following are his answers to some key questions:

Question: Is there any difference between the regulation of the Chinese market and the regulation of the Yugoslav market?

Answer: Yugoslavia's good points are: Its democratic enterprise management is of wider scope and its enterprises have bigger self-management rights. The Yugoslav shortcoming is that its centralization is less than China's. China hopes to have both the planned readjustment and the regulation of its market.

Question: Does an enterprise's dismissal of its staff and workers need the approval of the trade union?

Answer: All trade unions and the congresses of staff and workers in China can express their views on the dismissal of their staff and workers. Chinese trade unions will approve the dismissal of any worker who violates the working discipline.

CSO: 4006

FINANCIAL DIRECTOR CALLS FOR PRACTICING ECONOMY

SK141104 Xining Qinghai Provincial Service in Mandarin 1100 GMT 13 Oct 80

[Excerpts] In his financial budget report, Director (Liu Shulin) pointed out: We must vigorously increase production, practice economy, oppose extravagance and waste, heed economic results and step up financial management in order to fulfill the financial tasks for 1980 and 1981.

He said: The management and administration of our province's state enterprises is still far from satisfactory. The deficits of some enterprises are still increasing year after year, depending on state subsidies to survive. Many enterprises consume and waste a large amount of raw materials, incurring great losses and making little profits. In 1979, taxes and profits accruing from each 100 yuan of industrial products stood at 17.77 yuan in our province, 28.9 percent below the national average of 25 yuan. The deficits of our province's industrial enterprises for the first 8 months of 1980 were 11.86 million yuan. Some enterprises have not improved deficits caused by mismanagement.

He said: Given our country's beleagured financial situation, we should put even more stress on hard work and thrift, as well as economic results. In the future, we should take the economic results as a yardstick in running all enterprises.

CSO: 4006

BRIEFS

JIANGXI MARKET MANAGEMENT CONFERENCE--The Jiangxi Provincial Industrial and Commercial Administrative Bureau recently held a conference to discuss measures for the administration of urban and rural fairs and markets. By the end of last year, the province had restored 1,250 rural fairs and markets and 96 urban agricultural and sideline product markets. The volume of business at all these fairs and markets within the province was some 500 million yuan last year and 329 million yuan in the first half of this year, 46 percent more than in the corresponding period last year. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 27 Sep 80]

CSO: 4006

FINANCE AND BANKING

XIZANG HOLDS DISCUSSION MEETING ON FINANCIAL WORK

OW081452 Lhasa Xizang Regional Service in Mandarin 1100 GMT 8 Oct 80

[Text] The recent regional discussion meeting on financial work proposed that the principle, policy and tasks for financial work be mapped out in accordance with Xizang's actual situation. The regional finance should be a self-determining nationality that would depend on finance Xizang's speciality.

During the meeting, the leading comrades of the regional CCP Committee and People's Government exchanged views with the meeting's participants on the problem of building the regional nationality finance. The participants unanimously held that the regional finance, supported by the leadership at all levels and by the central financial departments, has insured the monetary needs for the cause of revolution and construction since its establishment in 1952. The participants also held that it has played an important role in developing the cause of construction and improving the material and cultural life of the peoples of various nationalities. The achievements are remarkable. However, many problems have emerged and, particularly during the 10-year havoc and misery, some things, that diverged from the reality of Xizang were done.

The meeting held that poverty is currently the greatest reality of Xizang. Therefore, the principle for financial work should be to insure financially the realization of the measures to eliminate poverty and become rich in order to contribute to building a united, prosperous and civilized new Xizang.

The meeting clearly provided that the future tasks for financial work should be:

1. To bring into full play the self-determining nationality power and, in accordance with the reality of Xizang, map out the financial rules and regulations and make an all-round arrangement for the use of funds;

2. To make every effort to make the people richer in order to benefit nationality unity and the consolidation of the border defense;

3. To support the development of the nationality economy vigorously and meet the monetary needs for the development of agriculture, animal husbandry, nationality handicraft, communications and transportation, the construction of small hydroelectric stations and the production of special nationality products;

4. To support the development of education, public health, science and culture; to meet the monetary needs for personnel training, mainly that of the Tibetan people; to support the development of the nationality religions and the protection of the cultural relics; and

5. To proceed from reality in mapping out the financial policies and systems so as to help the masses' become rich and enliven the economy. All expenditures should be carefully decided and economically used, and efforts should be made to prevent their waste and to increase their economic effect.

CSO: 4006

BRIEFS

GUANGZHOU TAX REDUCTION CIRCULAR--The Guangzhou Municipal Revolutionary Committee recently issued a circular announcing that, apart from grass-roots supply and marketing cooperatives and rural commune and brigade enterprises, income tax on excess profit earned by collectively owned enterprises in the municipality in 1980 will be reduced so as to allow them to have more favorable conditions for economic development and to give full play to their active role. The collectively owned enterprises to be included are both industrial and commercial ventures. The income tax paid and tax rate of these enterprises last year will be used as the base. [Guangzhou City Service in Cantonese 0430 GMT 28 Sep 80]

JIANGXI AGRICULTURAL BANK CREDITS--Since the beginning of this year, Jiangxi agricultural banks at all levels have granted 8.07 million yuan of credits to speed up the development of state farms. Before granting the credits, the agricultural banks considered the economic results of the credits and investigated the projects first. By the end of August, 125 projects supported by bank credits had been launched; loans amounting to a total of 12.65 million yuan had been contracted out and 8.07 million yuan of loans had been issued the majority of the 125 projects are scheduled to be completed and in operation this year; and when all the projects are completed, the production value is expected to be increased by 66.2 million yuan each year, profits by 13 million yuan and taxes by 6 million yuan. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 15 Sep 80]

STATE FUNDS FOR GUIZHOU--The state has appropriated 40 million yuan to help Guizhou Province improve underdeveloped areas. These funds were recently distributed to all minority nationality areas. Since liberation, the state has appropriated large sums of funds every year to help minority nationality areas develop production. To control and use these funds well, departments concerned of the Provincial People's Government have organized work groups and sent them deep into all minority nationality areas to conduct investigation. As a result Congjiang, Taijiang, Leishan, Danzhai, Rongjiang, Sandu, Luodian, Libo, Pingtang, Ceheng, Wangmo, Weining, Ziyun and Yanhe counties where the foundation of agricultural and industrial production is weak, communications have not been developed and culture, education and public health are comparatively poor have been designated as the principal areas in need of assistance. These funds have also been distributed to other counties and communes to promote their development. [Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 17 Sep 80]

CSO: 4006

BRIEFS

JIANGXI INITIATES PROJECT--A ground breaking ceremony was held at the (Hongmen) hydroelectric power station in Jiangxi Province to reinforce the walls on 15 August. Liang Kaixuan, vice provincial governor and provincial economic committee chairman, attended and spoke at the ground breaking ceremony. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 14 Sep 80]

FUJIAN POWER GENERATION--Fujian Province has been rapidly developing its power industry. Up to now, the province has built a number of medium and small-scale hydroelectric power stations and thermal powerplants of which the total installed capacity amounted to over 1 million kilowatts. From January to August, the province generated 43 million kwh of electricity, representing an increase of 10 percent over the corresponding period in 1979. Currently, the total installed capacity of small hydroelectric power stations throughout the province already exceeds 500,000 kilowatts. Recently, the Fujian Provincial People's Government stipulated that the income from these small hydroelectric power stations should be kept and used by the local units to expand production and speed up electricity production instead of being turned over to the county authorities. [Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 18 Sep 80]

LIAONING COAL PIT--A large coal pit in (Tiefa) mining area, with an annual output capacity of 900,000 tons, was completed and went into production 28 September. The coal pit, named (Xiaonan), is located in the middle part of the Liaobei Plain and borders on Shenyang Municipality to the south. This coal pit has an estimated 750 million ton coal deposit. [SK021107 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 28 Sep 80]

FUJIAN HYDROELECTRIC STATIONS--Fuzhou, 5 Oct (XINHUA)--The Xiyang commune in Yongan county, Fujian, has built 32 small-scale hydroelectric stations by making use of local rich waterpower. The total generating capacity reaches 3,105 kw. Three of them have been admitted into the state electric power supply network and have supplied more than 3.4 million kwh of electricity to the state since the beginning of 1979, thus increasing the commune's income. [Beijing Xinhua Domestic Service in Chinese 0112 GMT 5 Oct 80]

SICHUAN HOT WATER RESOURCES--Chengdu, 5 Oct (XINHUA)--Economically workable underground hot water resources have been found in more than 300 places during an extensive hydrologic survey in Sichuan Province, southwest China. There are also six underground hot water belts in the southwestern part of the province, running from north to south and extending to the adjacent Yunnan Province. Temperature of the water at most of the spots is moderate or high. In some places, it is about 80-90 degrees centigrade. Underground hot water is a clean and economical source of geothermal energy, which can be used for power generating, home heating, greenhouses and similar purposes. Many factories, hospitals, people's communes and stock-breeding farms in Sichuan are now making preparations to open these resources. [Text] [OW051215 Beijing XINHUA in English 0233 GMT 5 Oct 80]

SHANGHAI ELECTRICITY SAVING--Shanghai, 8 Oct (XINHUA)--Shanghai, China's leading industrial city, saved about 130 million kwh of electricity in the first 8 months of this year by applying infrared radiant heating technique. This is equivalent to the total amount of electricity the city saved by that method in the whole of 1979. Shanghai began using infrared radiant heat in the mid-70's as an efficient, low-cost drying agent. The method is still being improved, according to the Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences. In cooperation with other organizations, the institute recently developed a new drying promoter (catalyst accelerator) to increase the effect of infrared radiant heating. Application by more than 20 units showed that the promoter can reduce power consumption by another 20 percent. [Text] [Beijing XINHUA in English 0725 GMT 8 Oct 80]

CSO: 4020

BRIEFS

LIAONING INDUSTRY--The total industry output value of Liaoning Province from January to mid-September 1980 increased by 10.9 percent over the corresponding 1979 period. According to data gathered by departments concerned, high- and medium-quality textile and light industrial products which have been in short supply have registered sharp increases. Products produced for export increased 53 percent. The province's light industrial output value for the first 9 months of 1980 increased 29.7 percent over the corresponding 1979 period. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 29 Sep 80]

JILIN INDUSTRY--Jilin Province's total industrial output value for the first 9 months of 1980 increased 7.9 percent over that of the corresponding 1979 period. Profits handed over to the state by the province's industrial enterprises increased 21.5 percent over profits recorded in the corresponding 1979 period. The total provincial light industrial output for the first 9 months of 1980 increased 13.4 percent over that of the corresponding 1979 period. Of the 33 major light industrial products, the output of 30 of these products increased over 1979 levels. The output of television sets increased threefold, radio sets twofold, wrist watches and movie projectors 100 percent and bicycles 85 percent. [SK112252 Changchun Jilin Provincial Service in Mandarin 2200 GMT 7 Oct 80]

CSO: 4006

USE OF CAPITAL CONSTRUCTION INVESTMENT INVESTIGATED

HK110653 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 10 Oct 80

[Text] The Henan Provincial Capital Construction Committee recently invited the Provincial Construction Bank to organize a joint group to investigate the efficiency in use of capital construction investment in the province over the past 30 years. Investigation of over 20 metallurgical, machinery, coal, electric power, textile, light industry and other enterprises in the past 1 month and more has shown that efficient use of investment was relatively good during the first and second 5-year plans. At that time, 3 to 5 years elapsed between planning a project and completing it and putting into production. Capital of investment was recovered in 2 to 3 years, or 5 years at the most. However, efficient use of investment after the second 5-year plan was rather poor. It was particularly poor during the 10 years' upheaval. Production cycles and investment quotas were half or one third or even less efficient during that period than during the first 5-year plan.

Much evidence collected in the investigation has shown that waste on the capital construction front is shocking, and the lessons of this are profound. The Provincial Capital Construction Committee has issued a circular to all prefectures, municipalities, and provincial bureaus and committees concerned, demanding that they seriously investigate the efficient use of capital construction investment in the past 30 years in their own areas, systems and units, seriously sum up the experiences and lessons, improve the efficient use of investment and do a good job of long-term planning. The circular stressed: In any future case of failing to act according to capital construction procedures and indiscriminately approving and starting work on new projects, causing serious losses, those who approved and carried out the work will have to bear the legal responsibility.

CSO: 4006

BRIEFS

MINORITY NATIONALITY NEWS--Beijing, October 14 (XINHUA)--More than 10,000 workers' families have moved into new apartments in the past three years and housing for more families is now under construction in Liangshan Autonomous Prefecture of the Yi nationality of Sichuan Province. The government allocated 30 million yuan for housing construction and additional funds for building factories, schools, hospitals, shops and cultural and recreational centers. Buildings covering 600,000 square meters have been completed over the past three years. [Text] [OW140816 Beijing XINHUA in English 0710 GMT 14 Oct 80]

JIANGXI CAPITAL CONSTRUCTION--Development of capital construction was generally good in Jiangxi. From January to August 1980, the province fulfilled 61 percent of the year's capital construction investment plan, representing an increase of 10 percent over the same period in 1979. Eighteen keypoint projects fulfilled 72 percent of the year's plan representing an increase of 17 percent over the same period in 1979. Construction and installation work throughout the province from January to August increased by 16 percent over the same period in 1979. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 21 Sep 80]

SHENYANG HOUSING CONSTRUCTION--As of the end of September, Shenyang Municipality, Liaoning Province, had completed housing construction totaling 860,000 square meters in floor space, up 28.1 percent over the corresponding 1979 period. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 5 Oct 80]

JILIN SCHOOL HOUSING CONSTRUCTION--The Jilin Provincial planning commission, and the provincial construction and cultural committees recently held a meeting of higher educational institutions and construction units to discuss ways to increase housing construction for colleges and universities in 1981. The meeting noted that Jilin Province plans to enroll some 10,000 students in 1981. However, only 1,500 students will graduate from colleges, and housing for new students will be a problem. In view of this, the meeting decided on the following plan: 1) Hasten construction projects and strive to complete 150,000 square meters of floor space by the end of 1980. 2) Allocate money from next year's capital construction. 3) Do a good job in utilizing occupied school buildings. 4) Institutions of higher learning should earnestly tap potentials from their own schools. 5) Utilize rooms in residential buildings to ameliorate the shortage in 1981. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 6 Oct 80]

CSO: 4006

DOMESTIC TRADE

REGULATION FOR COMMODITY CIRCULATION

CW101826 Hefei Anhui Provincial Service in Mandarin 1100 GMT 9 Oct 80

[Excerpts] According to our station report, the regulation on improving commodity circulation issued on 24 September by the Provincial CCP Committee and the Provincial People's Government pointed out: Efforts must be made to continue emancipating our minds, implementing policies flexibly and doing a still better job in improving commodity circulation. This regulation is aimed at making improvements for purchasing and marketing industrial products; reducing the number of categories of farm, sideline and local products which are placed under controls; marketing more auxiliary foodstuff; improving restaurant and food services; bringing into full play the role of collective commercial units and that of the individual vendors; modifying measures for the control of commodity prices; continuously expanding the rights of enterprises to manage their own efforts; and strengthening the construction of commercial facilities.

On the basis of the actual situation in industrial production in the province, the state will exercise monopoly in purchasing and marketing 11 types of industrial products in the province--cotton yarn, cotton cloth, cotton, cloth made of synthetic fiber, T-shirts, cotton jerseys, sweat shirts and pants, gasoline, kerosene, diesel oil and lubrication oil. The commercial departments in the province will not exercise control over light industrial products produced in the province.

According to state plans, the state will monopolize the purchase and marketing of grain, fat and oil-bearing crops. After the state purchase targets have been fulfilled, the remaining grain, fat and oil-bearing crops can be sold either to the state or to the open market through grain and oil-bearing crop exchanges. The state will also monopolize the purchase and marketing of cotton. As for jute, tobacco, tea, silk cocoon, hogs and major animal products, the purchase and marketing of such products will be carried out in a planned manner.

CSO: 4006

DOMESTIC TRADE

BEIJING'S NEW PRIVATE RESTAURANT TO COMPETE WITH STATE ENTERPRISES

OW111422 Beijing XINHUA in English 1251 GMT 11 Oct 80

[Text] Beijing, October 11 (XINHUA)--The first private restaurant in Beijing in more than 20 years, a mother-and-sons operation located in the owners' home, has opened for business.

Liu Guixian, both mother and manager, and two sons aged 18 and 20 are running the restaurant in their house down a small lane near China's national art gallery. Its name is the Yuebin Restaurant, meaning "welcoming guests." Its specialty is duck, cooked eight different ways by the 46-year-old Liu.

Earlier this year, the city decided to give the green light to individual or household enterprises in food services, repair work and other service trades. The purpose is to enliven the economy, provide more conveniences for residents and create jobs for some of the jobless youths in Beijing.

Liu Guixian, whose husband is a highly skilled chef, had no steady work before opening the new restaurant. The two sons, youngest of her five children, also had no jobs.

Since they began serving this week, they have had more than 100 customers a day--a reflection of the great demand for restaurants in Beijing.

The number of restaurants here fell drastically in the late 1950's and during the 1960's. According to 1957 statistics, there were 5,000 restaurants, both state-owned and private, about 1.3 per thousand residents in Beijing at the time. A survey last year found about 0.3 restaurants per thousand people.

"I must contribute my skill to relieve the pressure on the service industry," said Liu Guixian, who was tutored by a famous chef herself.

The Yuebin Restaurant is relatively inexpensive and has been welcomed by customers as "cheap, warm, clean," as one eater put it.

Others suggested that the restaurant may provide some competition to state-owned restaurants, prompting them to improve.

Private businesses like this one are licensed by district industry and trade offices. Their prices are regulated by the offices and raw materials are guaranteed by state companies.

CSO: 4020

BRIEFS

JIANGXI ELECTRICAL APPLIANCES EXHIBITION--The Jiangxi Provincial Economic Committee held an exhibition of household electrical appliances on 16 September. Li Fangyuan, Li Yizhang, Liang Kaixuan, Zhu Kaiquan and other responsible persons of the Jiangxi Provincial People's Congress Standing Committee, Provincial People's Government, and the Provincial CPPCC visited the exhibition. Various old and new types of electrical appliances including refrigerators, air conditioners, tape recorders, washing machines and so on were on display at the exhibition. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 19 Sep 80]

SICHUAN MARKET COMMODITY SUPPLY--Urban and rural markets were brisk in Sichuan. From January to August, the total commodity purchases of the Suchuan Provincial commercial system amounted to 3.6 billion yuan, showing an increase of 22 percent over the same period in 1979; the total amount of sales amounted to 5.9 billion yuan, an increase of 19 percent over the same period in 1979. Competition thrived since diversification has been encouraged, services have improved and business was brisk. Thus, the people's living standard was improved. In August, the price of pork was lowered so as to increase sale and satisfy the people's demands. [HK091428 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 24 Sep 80]

SHANGHAI TRADE CENTERS--Shanghai, 7 Oct (XINHUA)--Several commodity trade centers are taking shape in Shanghai, which are geared toward East China in particular and toward the whole nation in general. In the past year and more, as a result of giving play to the market's regulatory role under the guidance of state planning, the traditional circulation channels between Shanghai and other parts of the country have been revived. According to an investigation by the municipal planning commission, Shanghai now has several markets which act as national trade centers. They are: Shanghai Production Means Trade Fair, the Chemical Goods Trade Fair, the Shanghai Municipal Farm and Sideline Products Trade Warehouse, the Shanghai Municipal Comprehensive Trading and Trust Service Company and the Shanghai Municipal Small Commodities Wholesale Market. [Beijing XINHUA Domestic Service in Chinese 1135 GMT 7 Oct 80]

GANSU COUNTRY FAIRS--Sales are brisk at Gansu Provincial country fairs. Gross purchases in the first 8 months of 1980 totaled 236.53 million yuan, up 11.7 percent over the corresponding 1979 period. Retail sales of commodities totaled 636.4 million yuan, an increase of 4.04 percent over the corresponding 1979 period. According to incomplete statistics, by the end of August, about 50,000 bicycles, 22,000 sewing machines, 24,500 radios and 27,800 wrist watches were sold at provincial country fairs. [SK051212 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 1 Oct 80]

BEIJING SALES CENTER--Beijing, 8 Oct (XINHUA)--A small sales and exhibition center specializing in prize-winning and other high-quality consumer goods opened at the Dongsi People's Bazaar here today. It is the first of its kind set up in Beijing during China's current economic reform, one of the purposes of which is to revitalize the economy by encouraging competition between various enterprises, departments and localities. "We intend to run the center in a way to make it a show window for China's textile and light industries," said Wang Dianrong, manager of the bazaar, in an interview with XINHUA. On display and also for sale are more than 300 varieties of knitwear, cotton textiles and other consumer goods from Hubei and Shaanxi Provinces. [Beijing XINHUA in English 1223 GMT 8 Oct 80]

LIAONING JOINS COOPERATIVE--Following the establishment of a joint supply and marketing cooperative of machinery and electrical products between Liaoning Province and nine municipalities, including Guangzhou and Shanghai, Liaoning Province formally reached an agreement with Nei Monggol Autonomous Region and Shanxi, Shandong, Hebei, Heilongjiang and Jilin provinces to establish a joint supply and marketing cooperative of machinery and electrical products. In addition, a fellowship society in which managers from all machinery and electric equipment companies in the seven provinces and the autonomous region participate was also established. Both the cooperative and the society have begun work. According to the provisions of the agreement, the first joint machinery and electrical products sale sponsored by Liaoning Province opened in Shenyang municipality 8 October. It will conclude 13 October. The seven provinces and the autonomous region supplied the sale with materials worth more than 500 million yuan. [Text] [SK110542 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 9 Oct 80]

CSO: 4006

ECONOMIST SPEAKS ON JOINT UNDERTAKINGS

HK140648 Hong Kong WEN WEI PO in Chinese 11 Oct 80 p 7

[Report: "Break Down Monopoly and Promote Joint Undertakings in the Field of Foreign Trade"]

[Text] Editor's Note: During the "Seminar on New Development Trends in China's Economy" held a few days ago, Zhang Peiji, deputy director of the PRC Foreign Trade Ministry's International Trade Research Institute, delivered a speech which was entitled "The Development of and Prospects for China's Foreign Trade." The speech was divided into the following four parts: 1) The development of China's foreign trade; 2) China's foreign trade during the period of the readjustment of the national economy; 3) the reform of the foreign trade system; 4) the prospects for the development of foreign trade. The following are excerpts from the third and fourth parts. [End editor's note]

Our country is currently reforming its economic management system. The reform of the foreign trade system is a part of China's reform of its economic management system. The reform of the foreign trade system is a part of China's reform of its economic management system. The foreign trade system reform which began last year will continue next year. Our country is still making a thorough study of the ways to further reform the foreign trade system from a long-term point of view. Therefore, at this time I can only discuss with you my personal preliminary views.

During the past year, our country began reforming the foreign trade system. Guangdong and Fujian provinces, Beijing, Shanghai and Tianjin and some other coastal provinces and municipalities have been given greater self-management rights for foreign trade. More and more localities have gradually engaged in directly exporting their commodities and have carried out compensation trade and the business of processing imported materials for foreign companies. With approval, some industrial departments under the state council have established import and export companies, engaged in cooperative production and joint ventures and carried out import and export business within a certain scope.

Our country's central dieas for reforming the foreign trade system are: Enable all provinces, municipalities, departments and enterprises to care more for foreign trade; offer localities more self-management rights for carrying out foreign trade business; bring about a better integration of the production and marketing departments in order to quicken the pace of development of foreign trade.

Enterprises engaged in foreign trade should become independent accounting units, assume sole responsibility for their profits or losses, be entrusted with the responsibility and authority that should go with their positions, and have greater power regarding the distribution of funds, the management of products and personnel administration. Only by doing so can we truly mobilize our enterprises' enthusiasm for promoting foreign trade, improve our enterprise management and promote the development of our foreign trade. Of course, to engage in foreign trade, enterprises must have certain conditions (such as having the products that suit the needs of international markets and withstand competition and having cadres that understand foreign trade and know foreign languages) and win the approval of state departments concerned.

As all areas are actively carrying out foreign trade business, the Foreign Trade Ministry should strengthen its unified leadership over foreign trade, enhance foreign trade management, formulate necessary rules and regulations, use various organizational forms to coordinate the pace and activities of parties concerned, supervise and inspect the implementation of the relevant guiding principles and policies, and bring about a successful integration of giving full play to the enthusiasm of all quarters and of achieving centralism and unity, namely, strengthening management on a flexible basis. The Foreign Trade Ministry should also assist all newly developed foreign trade enterprises in knowing the professional knowledge of foreign trade, in mastering commonly used foreign languages, and in improving their professional skills as quickly as possible. There is an urgent need for us to study and solve these problems.

At present, under the guidance of state planning and policy, our economic work is implementing the principle of "giving full play to superiority, safeguarding competition and promoting joint undertakings." We should also implement this principle in the field of foreign trade. Since our country has a vast territory, and since the natural and economic conditions vary greatly from area to area, all provinces and municipalities should act in accordance with their own characteristics and conditions and proceed from giving full play to their superiority while developing foreign trade. At the same time, to enable our enterprises to increase the variety of colors and designs, to improve product quality and enterprise management and to better meet the needs of foreign markets, there should be, under the guidance of state planning and policy, competition among all departments and production enterprises in order to break down the monopolies in all fields. To enable all departments and enterprises to better give full play to their strong points and avoid their weak

points and to enable them to bring their superiority into full play, we should promote joint undertakings from bottom to top on the basis of voluntary and mutual aid and develop cooperative production and management between industry and commerce, between ports and the interior of our country and among provinces. Since the high-level joint undertakings are loosely organized, they will gradually change their decentralized conditions into jointly organized ones. All these things will be conducive to the development of foreign trade.

To expand our export business, we must first grasp the production of export commodities. This is because production is the basis. The current economic and trade systems keep us from quickly developing our export business. In recent years, in view of this situation, the state council has adopted vigorous measures and energetically solved problems in foreign trade, thus creating very favorable conditions. First of all, the central authorities have implemented the policy on lifting restrictions on economic relations with foreign countries, carried out the reform of the foreign trade system ahead of other reforms, enabled all areas and departments to attach importance to foreign trade and mobilized their enthusiasm for promoting foreign trade business. All government departments concerned have also adopted various measures to support the development of foreign trade. Secondly, with the implementation of various policies on agriculture and the development of agricultural and sideline production, there has been a marked increase in the number of sources of export agricultural and sideline products in our country. Thirdly, to promote production and expand our export business, our country has established over 10 comprehensive bases for producing export agricultural and sideline products and a group of special factories, special workshops and special mines. All these comprehensive bases and special units have greatly improved their product quality, increased the variety of colors and designs and improved the adaptability of their products.

The structures of our country's imports and exports will be further changed. It is estimated that from now on the means of production and production facilities will continue to occupy a major position in the structure of our country's imports, that our country will continue to import some metals and industrial chemicals and that our country will continue to import for a certain period of time some grain and agricultural products. There will be no great change in the structure of our country's exports in the following few years. Our country's major exports will still be agricultural and sideline products and the products of our light and textile industries. Our country will also strive to increase the export of mineral and chemical products. Petroleum is still our country's major export. However, there is little possibility of increasing the export of our country's petroleum in the near future. From a long-term point of view, there is much hope of increasing the export of our country's coal and we shall strive to expand the export of coal. With the readjustment of our country's national economy and with the rise in our productive and technological levels, the export of our country's machines and electrical products will be increased day by day. This is our orientation for expanding export business.

General Foreign Trade Companies Wish to Establish Joint Ventures With Foreign Businessmen

To develop our country's foreign trade, we shall continue to adopt traditional and standard practices in international trade. In recent years, we have adopted various commonly used forms and methods in international economy and trade. Such commonly used forms and methods include cooperative production, joint ventures, compensation trade and processing trade, all of which are known to our friends. Our country has tentatively implemented these forms and methods and is still studying them while going forward. All general companies engaged in special trade under the Foreign Trade Ministry wish to cooperate with our foreign friends and Hong Kong and Macao compatriots in developing joint undertakings and joint ventures. They are also willing to actively support and assist our friends in developing their trade relations with all provinces, municipalities and departments in our country. We believe that various flexible forms of trade will further broaden the prospects for developing our country's foreign trade.

CSO: 4006

OFFICIAL EXPLAINS FOREIGN TRADE ISSUES

HK130850 Hong Kong WEN WEI PO in Chinese 10 Oct 80 p 8

[Report: "Zhang Peiji of Foreign Trade Ministry Explains Division of Work Between New and Old Foreign Trade Companies"]

[Text] In reforming China's foreign trade system, the General Company under the PRC Foreign Trade Ministry will not be dissolved, nor will it lose its original role. The only difference is that the General Company's tasks will be different, Zhang Peiji, deputy director of the PRC Foreign Trade Ministry's International Trade Research Institute, said this while answering questions at yesterday's "Seminar on New Development Trends in China's Economy" which was sponsored by Hong Kong's Ching-Chi-Tao-Pao-She [Economic Information and Agency--English name as published] and Economic Information and Consultancy Company.

Zhang Peiji said: Since the General Company under the Foreign Trade Ministry has engaged in foreign trade for some 30 years, accumulated a wealth of experience and established trade relations with many foreign companies, it can now make further efforts to develop its foreign business. The General Company has done great work in organizing the supply of goods and solving production problems. From now on, the supply of goods and production problems can be handled and solved by localities and enterprises and the General Company can strengthen its foreign business, organize and expand its commercial information network and enhance its market research and investigation. The General Company's tasks not only will not be dissolved but will become more arduous.

Up to now Beijing, Tianjin, Shanghai, Guangdong, Fujian, Liaoning and Hebei have established their own foreign trade companies. Zhang Peiji said: The tasks of these seven local trade companies are different from that of the Foreign Trade Ministry's General Company. The local foreign trade companies are subject to the dual leadership of the provincial or municipal people's governments and the Foreign Trade Ministry. However, the local foreign trade companies are primarily subject to the leadership of their local authorities. The tasks of the local foreign trade companies are: Under the guidance of unified planning and policy, they should give

full play to their local initiative, bring their superiority into full play in accordance with local characteristics, energetically support the production of export commodities and carry out the unified management of their provincial or municipal foreign trade business. Moreover, the local foreign trade companies should also use their local foreign exchange earnings to engage in import business, establish integrated management business with other provinces and areas and carry out cooperative production with foreign countries.

Referring to the division of work between the local foreign trade companies and the Foreign Trade Ministry's General Company, Zhang Peiji said: The General Company primarily engages in importing and exporting relatively important commodities such as importing grain, cotton, chemical fertilizer and rolled steel and exporting coal and petroleum. The General Company also coordinates and manages local commodities. Judging from this, we can see that there is competition between the Foreign Trade Ministry's General Company and the local foreign trade companies. Such competition is advantageous to the improvement of the standards of foreign trade management.

With the reform of our foreign trade system, some qualified key enterprises and integrated units will directly engage in foreign trade. Zhang Peiji said: When we say some qualified key enterprises and integrated units, we mean those enterprises and integrated units whose products can enter international markets, stand competition and sell well, and we mean such enterprises and integrated units that have foreign trade specialist-cadres and the approval of the state. It seems that enterprises engaged in direct foreign trade will include the engineering industry which has relatively strong techniques but needs maintenance service and the supply of spare parts.

Zhang Peiji said: With regard to the reform of our foreign trade system, from a long-term point of view, the key to achieving a gradual transition to enterprises and integrated units directly engaged in foreign trade, expanding foreign trade, developing commodities that sell well, improving product quality and suiting the needs of markets lies in our enterprises. However, the unified foreign trade principle will remain unchanged. The Foreign Trade Ministry and other government departments will administer enterprises through the implementation of the policies on prices, tax revenue and credits. Because administrative and management work has fallen behind some confusion was created recently in our foreign trade work. From now on, we must strengthen the administrative and management work concerning foreign trade. By doing so, we can solve some problems.

A participant at the seminar asked: Since all provinces and municipalities carry out foreign trade by themselves, what kind of relationship does the Huajun Company [China Resources Company] have with them. Zhang Peiji replied: The Huajun Company is still the general agent of

all PRC import and export companies. Originally, to develop trade in Hong Kong in a better and planned way, it was necessary for the Huajun Company to give the development unified consideration. With the approval of the state Import/Export Commission, Guangdong, Fujian and Tianjin now have established their branch companies in Hong Kong which will work in coordination with the Huajun Company.

CSO: 4006

BRIEFS

HUBEI FOREIGN TRADE TALKS--With the approval of the Ministry of Foreign Trade and the Hubei Provincial People's Government, 11 export companies in Hubei Province and the Provincial Import Company jointly held talks on provincial exported commodities in Wuhan on 25 September. Attending were some 400 businessmen from Japan, the United States, Britain, the Netherlands, Italy, West Germany, France, Switzerland, Argentina, Bangladesh, the Philippines, Singapore, Australia, Hong Kong and Macao. The talks dealt with exports, imports, processing, installation and assembly. On the evening of 25 September, the Provincial People's Government hosted a banquet for the guests. Li Fuquan, Liu Hegeng, Hua Yuqing and (Zhang Xuetao), leading people of Hubei and Wuhan, attended the banquet. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 25 Sep 80]

SHANDONG EXPORTS--The Qingdao Municipal Foreign Trade Department, Shandong Province, is helping collectively-owned enterprises secure orders from foreign countries. Some 83 varieties of products have been exported to some 100 countries and areas. The export volume is 76 million yuan. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 9 Oct 80]

JILIN EXPORT ACHIEVEMENTS--As of 20 September, Jilin Province overfulfilled its annual export plan and its annual plan for purchasing goods for export, showing 73.7 and 66.5 percent increase respectively, as compared to that of the 1979 corresponding period. By enacting a profit retention system, about 100 export enterprises and departments in the province have earned $9 million of foreign exchanges since this March. This is the first time for these departments to earn any money from export. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 1 Oct 80]

CSO: 4006

LABOR AND WAGES

CONFERENCE DISCUSSES LABOR EMPLOYMENT

HK130418 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 11 Oct 80

[Excerpts] The Provincial Labor Employment Work Conference pointed out: It is necessary to further relax the policies and do a good job of labor employment work in the province. This meeting was held by the Provincial CCP Committee in Wuchang from 5 to 10 October. In accordance with the spirit of the National Labor Employment Conference and in connection with the actual situation in Hubei, the participants proposed relaxing the policies in six aspects and further improving labor employment work in the province. These six aspects are as follows:

1. It is necessary to respect and protect the decision-making and ownership rights of collective enterprises and units. The property of such enterprises and units is under collective ownership. They have the right to decide on production plans and service items and to determine the form and level of wages and methods of awarding bonuses.

2. Collective enterprises that have been newly set up and those where 60 percent of the work force consists of youths who were awaiting employment will be exempt from taxes for 3 years. The same should also apply to collective enterprises set up by neighborhoods and labor service companies where the proportion of blind, deaf, dumb and crippled workers accords with the relevant regulations of the civil affairs departments. Educated youth farms and teams set up in the rural areas need not pay tax, hand over profit or undertake a unified agricultural and sideline product procurement quota for 5 years from the date of their establishment.

3. In the aspect of material supply and allocation of sources of goods, the collective enterprises can buy the materials they need from state-owned industry, commerce and supply and marketing cooperatives, and can also buy them from the fairs and markets.

4. As far as grain is concerned, workers of collective enterprises should receive rations appropriate to the type of work they are doing.

5. In the aspect of capital, it is necessary to continue to display the spirit of self-reliance and arduous pioneering to run the collective enterprises. The problem of capital can be solved by having the masses raise it themselves, borrowing money from the banks, receiving financial subsidies, getting aid from enterprises owned by the whole people, being supported by neighborhood collective enterprises, or using in a unified way the expenses involved in settling educated young people in the rural areas.

6. Management departments must administer the enterprises of their appropriate trade. Such departments must administer enterprises owned by the whole people and also those that are collectively owned or operated by individuals. They must not arbitrarily change the enterprises' subordinate relations and nature.

Comrade Wang Qun, deputy secretary of the Provincial CCP Committee, delivered a summation speech at the meeting. He demanded that the provincial departments concerned get a good grasp of studying policy relaxation in these six aspects and rapidly draft documents for execution by the lower levels.

CSO: 4006

BRIEFS

HEILONGJIANG TRADE UNION FORUM--The Heilongjiang Provincial trade union council held a forum in Harbin Municipality on the eve of national day, with the participation of representatives of labor models in various industries and trades throughout the province. The forum was presided over by (Zhu Guangming), labor model and vice chairman of the provincial trade union council. Also attending the forum was Wang Chonglun, vice president of the All-China Federation of Trade Unions, labor model and deputy secretary of the Harbin Municipal CCP Committee. At the forum representatives earnestly studied the spirit of the third session of the Fifth National People's Congress and enthusiastically discussed the new situation. They also advanced many proposals on urban traffic, family planning and on the transfer of scientific and technological personnel. They pledge to take the lead in implementing the spirit of the third NPC session, to do away with bureaucracy, to oppose seeking privileges and to make contributions to accelerating the pace in improving the economic system and in achieving the four modernizations. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 1 Oct 80]

HUNAN TRADE UNION MEETING--The Hunan Provincial Federation of Trade Unions held a meeting on 28 September to commend advanced units and individuals in promoting workers' welfare. During the meeting, 18 advanced units and 9 advanced individuals introduced their experiences. The meeting demanded that leaders at all levels do more for the workers and the masses, and improve their livelihood. Dong Zhiwen, secretary of the Hunan Provincial CCP Committee, and other responsible comrades attended and spoke at the meeting. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 29 Sep 80]

FUJIAN EMPLOYMENT ARRANGEMENTS--The Fujian Provincial conference on employing the labor force was held in Fuzhou in mid-September. The spirit of the conference was that under unified planning and guidance, it was necessary to insure that labor departments provide employment for the unemployed, that the unemployed organize enterprises in order to create jobs for themselves and that the unemployed try to find employment. In the past 18 months the province has made arrangements for the employment of 300,000 people in urban areas who were awaiting employment. For the remainder of the year and next year, the province must plan to make arrangements for the employment of 330,000 people in urban areas who are awaiting employment. This task of fully employing the labor force is still very arduous, so it is necessary to do this work well in every possible way. [Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 25 Sep 80]

CSO: 4006

ANHUI INCREASES SECURITY OVER NAVIGATIONAL BUOYS

OW140526 Hefei Anhui Provincial Service in Mandarin 1100 GMT 13 Oct 80

[Text] Joint security organizations have been gradually established along the Changjiang River by the Nanjing Shipping Zone under the Changjiang River Navigation and Transport Bureau and the public security departments of each prefecture, city and county in Anhui Province in order to protect the river's buoys.

Buoys, considered the eyes for safe navigation, provide correct information on every dangerous bend, hidden reef and underwater obstacle located along the waterways. Therefore, the malfunction of a single buoy generally creates a serious threat to the safe navigation of all ships.

Lately, buoys installed along the lower reaches of the Changjiang River, which are under the control of the Nanjing Shipping Zone, have been seriously damaged, and many instruments and signal lights have been stolen. This state of affairs has become increasingly serious. In the first 8 months of 1980, some 50 buoys between Anqing and Wuhu waterway in our province were either damaged or stolen, causing a total loss of approximately 8,000 yuan. After being informed of this situation, the responsible personnel of the Anhui Provincial Public Security Department immediately organized the personnel concerned to inspect the shipping channels and buoys between Maanshan City and Xiaogushan at the upper reaches of Anqing. After deciding to select 20 different locations as primary protection targets, the Provincial Public Security Department and the Nanjing Shipping Zone called a security work conference in Anqing City to discuss the protection of the navigational buoys. The conference decided to establish a water and land joint protection committee and organize the communes to form water-land joint protection groups at 20 major shipping channels. The conference called for still greater efforts in widely publicizing the important role of navigational buoys and the significance of protecting the buoys. In order to strengthen the security control of all waterways in Anhui, the conference also decided to strike at and punish all who damaged the buoys in accordance with the criminal law and the regulations governing offenses against public order. Furthermore, it decided to reward any individuals and collectives outstanding in protecting the navigational buoys.

CSO: 4006

BRIEFS

GANSU RAILWAY ELECTRIFICATION--The railway electrification project between Tianshui and Lanzhou in Gansu Province has gone smoothly. The project was initiated in November 1978 and will be completed in the near future. By the end of September 1980, 88 percent of the tunnels, 84 percent of the bridges and 81 percent of the railroads had been improved. [Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 9 Oct 80]

CSO: 4006

BRIEFS

HEILONGJIANG COLLECTIVE BUSINESS--The number of newly established collective business firms throughout the province now totals 3,914. This accounts for 59.8 percent of all old collective business firms. These newly established collective firms have arranged jobs for 62,000 youths. In the 6 months of 1980, their total sales volume was to 133 million yuan, from which they earned 5.8 million yuan in net profits. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 10 Oct 80]

CSO: 4006

PUBLICATIONS

BRIEFS

NEW CHINESE PUBLICATION--Beijing, 3 Oct (XINHUA)--Volumes of "Historical Materials on Industry and Commerce" compiled and edited by the Literary and Historical Source Materials Research Committee of the CPPCC National Committee will soon be issued throughout China. They consist of the memoirs of a number of noted personages in the Chinese industrial and commercial circles and give an introductory account of the growth of China's national industry and commerce before nationwide liberation. The writers of the memoirs were eyewitnesses to the hard struggle waged by China's industrialists and businessmen for their survival under the cruel oppression by imperialism, feudalism and bureaucratic-capitalism prior to liberation of the country. These memoirs are valuable materials for those who study modern Chinese history and especially for those who study the history of capitalism in China. [Beijing XINHUA Domestic Service in Chinese 0203 GMT 3 Oct 80]

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END

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11 December 1980

China Report

ECONOMIC AFFAIRS

No. 103

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11 December 1980

CHINA REPORT

ECONOMIC AFFAIRS

No. 103

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REFORM OF PRICING, TAXATION SYSTEM DISCUSSED

HK260600 Beijing JINGJI GUANLI in Chinese No 9, 15 Sep 80 pp 27-30

[Article by Luo Jingfen [5012 4737 1164]: "The Reform of Price and Taxation System Is the Important Link of the Reform of Economic System"]

[Text] Ever since the 3d session of the 11th party Central Committee, many of our regions and departments have done much research and meaningful experiments directed toward reforming the economic system. Certain results have been achieved within a relatively short period of time. This has opened up a new phase in the economic management of our country. However, with the development of initial reforms along this line, many new problems have been raised. The most outstanding of these problems is the one on pricing and taxation. This problem not only affects the normal development of the existing preliminary reforms and experimental work, it also concerns the smooth progress to the next stage of overall reform of the economic system.

I.

The pricing and taxation system involves many aspects.

First, the experimental work done along the line of enlarging enterprises decision-making powers is primarily on the retention of profits by the enterprises. Measures on the stipulation of different levels for profit margin for individual trades or enterprises and the appropriate readjustment of the profit base have been adopted. However, due to irregularities in the existing pricing and taxation system, there are still disparities between different trades and enterprises. For instance, at present the price for certain goods is very low and yields little profit, while that for others is very high and yields great profit. For the sake of raising the profit margin, enterprises prefer to produce high profit goods rather than low profit goods. Such a condition already exists. However, with experimental system of allowing enterprises to retain their profits this trend is further intensified. Some enterprises acquire more profits by producing more goods which sell at a higher price and yield a great profit. As a result, the disparity between enterprises is intensified.

Second, industrial reorganization also faces the problem of pricing and taxation. The primary purpose of establishing a company is to do a good job of the reorganization of our industry along the lines of specialized coordination and integration.

However, the existing industrial-commercial tax is levied on the income of the sale of goods. One more coordination step results in an additional tax. This is an important reason that enterprises prefer all-round factories rather than specialized coordination. With the establishment of a company, the enterprise can adopt internal pricing. Spare parts made for coordination within the company are exempted from further taxation. This practice, to some extent, is beneficial to the development of specialized coordination within a company. However, this is not necessarily beneficial to the development of cooperation between subordinated factories of the company and outside enterprises. Certain specialized factories outside the company produce spare parts at low production costs by using highly efficient special installations and the organization of mass production. However, when the additional tax is included, the producer's price of the product might be higher than that of coordinated pricing within the company. Subordinated factories of the company will be reluctant to purchase parts from specialized factories outside the company. Consequently, the company is obliged to be self-sufficient in producing needed parts and become an extra large "all-round factory." It is obvious that it is impossible to organize specialized coordination of the whole society without changing this situation. Furthermore, if the coordinated pricing within the company is too low, and even lower than the market price, the spare parts factory of the company will be unwilling to supply parts to other subordinate factories of the company. This will certainly affect the internal coordination of the company. An irrational pricing and taxation system also prevents a large number of independent medium and small-sized enterprises, whcih are closely related to the core enterprises in terms of production technology, from uniting with the core enterprises through economic means.

There is also the problem of local tax in organizing a company. The existing industrial-commercial tax is levied on the income of the sale of goods. One more coordination step results in an additional tax. This is an important reason that enterprises prefer all-round factories rather than specialized coordination. With the establishment of a company, the enterprise can adopt internal pricing. Spare parts made for coordination within the company are exempted from further taxation. This practice, to some extent, is beneficial to the development of specialized coordination within a company. However, this is not necessarily beneficial to the development of cooperation between subordinated factories of the company and outside enterprises. Certain specialized factories outside the company produce spare parts at low production costs by using highly efficient special installations and the organization of mass production. However, when the additional tax is included, the producer's price of the product might be higher than that of coordinated pricing within the company. Subordinated factories of the company will be reluctant to purchase parts from specialized factories outside the company. Consequently, the company is obliged to be self-sufficient in producing needed spares and become an extra large "all-round factory." It is obvious that it is impossible to organize specialized coordination of the whole society without changing this situation. Furthermore, if the coordinated pricing within the company is too low, and even lower than the market price, the spare parts factory of the company will be unwilling to supply parts to other subordinate factories of the company. An irrational pricing and taxation system also prevents a large number of independent medium and small-sized enterprises, which are closely related to the core enterprises in terms of production technology, from uniting with the core enterprises through economic means.

There is also the problem of local tax in organizing a company. With the establishment of a company, the production of certain local industry or mines come under the control of the company. As a result, the interest of the locality is often neglected. The local government is not given a share of the taxes to cover its expenses for municipal works and public utilities. No wonder the establishment of a company is not welcomed by local governments.

Third, the same problem will also arise with administration of finance both at the central and local levels. If the financial income of a locality is to be drawn directly from profits and taxes turned over by the local enterprises, the local government will have greater enthusiasm to develop local industrial enterprises which can yield higher profits and a greater amount of taxes. This will increase the financial income of the local government. However this will only increase the problem of duplicated production and construction. The problem is especially serious with the processing industries of agricultural and mineral products. In terms of quality, cost of production and coordinated utility, it is rather unsatisfactory for these products to be processed locally. However, it has the advantage of providing a large sum from the profits and taxes to the locality. On the other hand, if the agricultural and mineral products were redirected to other places, the locality receives nothing from the profits and taxes. This will inevitably make the work of redirecting agricultural and mineral products all the more difficult.

Fourth, at present, the contradictions in the pricing and taxation system has become more pronounced with the greater emphasis on bringing into play the roles of the law of value and the promotion of market regulation and competition. With the pricing policy violating the law of value and the taxation system being irrational, the promotion of market regulation will only lead to a frantic rush for the production of profitable goods on the part of enterprises. An irrational pricing and taxation system also leads to haphazard investments. It will also nullify any standard for analyzing and comparing the effects of technological measures and the efficiency of departmental investment. This also makes it very difficult for the adjustment of the national economy to achieve the expected results. The imbalance of supply and demand of goods will also be intensified in certain respects. This will inevitably lead to confusion in economic life.

Furthermore, issues such as the problems involved in the organization of an integrated agricultural-industrial-commercial complex and the contradictions between industry and commerce as a result of marketing of goods by the industrial enterprises themselves all involved the distribution of profit between agriculture, industry and commerce. In the final analysis, these are also problems of pricing and taxation.

In short, as a first step in the overall reform of the economic system, we should first readjust prices and reform the taxation system. In essence, this is the vital groundwork for the overall reform of the economic system. This must come before other reforms.

II.

Our existing pricing and taxation system is extremely irrational. This is exemplarily illustrated in the extreme disparity of profit levels between different trades and between different enterprises. Such a system is unable to reflect the reality of management performance of different trades and enterprises and the extent of their contribution to the state.

This requires: First, a rational readjustment of existing prices. According to the demand of the law of value, the price of the majority of goods should be fixed as close to the production price as possible. Even when political and economic reasons demand, only the price of a minority of goods can be consciously fixed at a level counter to the rate of transformation of value--the production price. The price parities between agricultural and industrial products, between primary products of the mining industry and products of processing industry, and between ordinary processed products and specialized processed products should be properly stipulated. The price differences between different specifications and quality should also be reasonably enlarged. The price parities between spare parts and the whole machinery and between old and new products should be reasonably adjusted. The price differences between different regions, between town and countryside, between different consignments and between different seasons should be properly stipulated while the price differences of commercial imports and exports should be properly handed. Meanwhile, prices should be allowed to change and to some extent to float in response to changes of supply and demand. In future, price policy should be used to regulate market supply. The price of any goods item in short supply should be raised to promote production and discourage consumption. The price of any goods item in excess should be reduced to promote a decrease in production and encourage consumption. According to our previous experience, it is impossible to achieve the desired results in the readjustment of prices by merely relying on national planning. One is helpless by merely relying on the price departments to tackle the thousands of varities of prices, the complexities of the computation of cost of production and the constantly changing relations of supply and demand in the market. Therefore, the readjustment of prices should make full use of the market mechanism. The price of important necessities, such as food and cotton cloth, should be centrally controlled by the state. However, as for goods which have many varieties, specifications and choices, the state should take the agreed price between supplier and consumer as the criterion for price formulation.

The readjustment of prices is a highly intricate work. It directly affects the financial income of the state and has direct bearing on the livelihood of the people. Therefore, we must be extremely careful. However, this should not make us overcautious nor should it cause us to freeze the existing pricing system and end all pricing activities indefinitely. If prices remain unchanged, the development of production will be adversely affected. Some departments will remain backward perennially and the prolonged shortage of certain goods will continue. This will bring us into another predicament. Some people worry that the readjustment of prices might cause a general rise of prices which might get out of control. This is really a misconception. In fact, the general rise of prices is caused by an excess in purchasing power (including the purchasing power of consumers and investments) over the supply of social commodities (including commodities for daily consumption and production consumption). With the development of production, the supply of goods will be increased and a satisfactory balance between purchasing power and social commodity can be maintained through strict control of currency circulation. The stability of the general price level can then be maintained. This is the fundamental measure for preventing price increases. On the contrary, if the purchasing power is greater than the supply capacity of social goods, the price of certain goods item is bound to increase even if this increase is readily observable or not. Some people worry that the adjustment of prices will inevitably cause increased financial expenditures by the state and the lowering of the consumption level of the people. This worry is unfounded. We should examine the difficulties involved in the readjustment of

prices as well as the advantages it will bring. The rational readjustment of prices will bring along development in production and an increase of goods. Thus, the financial income of the state will be increased and market supply will be improved. In 1979, after the purchasing price of agricultural byproducts were increased, there was a significant increase in the amount of agricultural byproducts sold by the peasants to the state and the amount of goods exchanged in barter trade as compared with the previous year. The price index of consumer goods in barter trade had also gone down. The difference between official and market prices had been further shortened. It is a well proven fact that success in price readjustment has more advantages than disadvantages.

It must be pointed out that market price can be differentiated from the producer's price and wholesale price and treated differently. The dissociation of the two types of prices can be regarded as a dual price system. Judging from our present conditions, the market price of consumer goods should in the near future be stabilized in order to provide a stable life for the people. Therefore, at present, the most realistic thing to do is to implement a dual price system. That is to say, there is no need for the market price of consumer goods to be readjusted as the purchasing price of agricultural products and the producer's and wholesale prices of industrial products are readjusted. The state should compensate any loss suffered by commercial undertakings involved in the consumer goods trade as a result of increased purchasing price of agricultural products and producer's price of industrial products. The readjustment of producer's and wholesale prices is a redistribution of profit between industrial enterprises, between industrial and commercial enterprises and between commercial enterprises. It generally will not cause any reduction of state financial income or the increase of daily expenses of the people. Therefore, on the condition of a relatively stable market price, the producer's and wholesale prices can be readjusted independently. This essentially calls for an overall readjustment of the existing producer's and wholesale prices. As long as we do this conscientiously, such a readjustment can be attained within a few years. Nothing will go wrong if we are a bit more daring in this respect. Of course, an overall readjustment of prices does not entail a permanent solution. From then on, with the changes of cost of production of goods and the supply and demand relationship, corresponding changes should be made very year, this will maintain the price of various industrial and agricultural products at a reasonable level.

Some people think that after the market price has been stabilized and the producer's price increased, there will be an increasing number of problems in the prices of the circulating links. It follows that if the state implements a price subsidy for the supplying part of the market, the financial expenditure of the state will correspondingly be increased. In actual fact, this is only part of the picture. If the producer's price of this type of product is not adjusted, any loss by the producer enterprises, in the long run, will require a loss of subsidy from the state. As for enterprises which are profitable, they can increase the amount of profit turned over to the state after they have increased the producer's price. In this way, the state will be compensated financially. As for other enterprises, the state can withhold its financial allocation so as to make a corresponding reduction in expenditure. Therefore, juding from the whole, the increase of producer's price generally will not cause any substantial increase in the net expenditure of the state.

At present, the price of certain imported goods is rather unreasonable. The method of foreign trade subsidy is adopted to keep the imported price lower than the domestic producer's price of the same category of goods. This is harmful to the protection of domestic production and to the economic use of foreign exchange. This type of pricing should also be readjusted beforehand.

Second, reform the taxation system. At present, we are practicing a single industrial and commercial tax system with regard to industrial enterprises owned by the whole people. In actual fact, tax is levied according to the income from the sale of products. Many of the tax rates were stipulated before 1956 to suit the needs of restricting and transforming capitalist industry and commerce. Such an oversimplified practice have many deficiencies. It cannot effectively regulate the profit level of enterprises nor can it concentrate the extra-profit, which is not acquired by enterprises themselves, into the hands of the state finance. It is harmful to the coordinated development of specialization. It is also not good for controlling the production and consumption of certain goods. Finally, it is not good for ensuring a fixed source of income for the locality by clearly demarcating between different types of taxes. Therefore, an all-round reform should be carried out to institute a new and varied taxation system. For instance, a resource tax should be instituted according to different conditions of natural resources. An asset tax should be instituted on the fixed asset allocated by the state for investment without compensation. This should be measured in accordance with the different levels of technological installation. The rate for asset tax should not be too high, otherwise it will hamper technological advances. A land tax should be levied on public land according to locations and use. A product tax should be levied on luxurious commodities such as tobacco, wine, cosmetics and high quality consumer goods. The price of these goods has been purposely set at a high level. The product tax should be levied on the part in excess of the producer's price. The existing industrial-commercial tax should be differentiated into the business tax of commerce and servicing industry and salt tax. Furthermore, an appreciation tax should be levied. A construction tax should be levied on self-finance construction projects to control the scale of basic construction. For the sake of encouraging the expansion of export and carry out the necessary restrictions on import, an import tax should be restored whereas the tax on exports can be reduced, exempted or refunded. Local governments should levy an urban construction tax on local enterprises to provide for the setting up of municipal works andpublic services and for the development of educational and sanitary affairs and domestic services. (The tax rate for different areas can be different and the local people's congresses should, within a certain limit, have full autonomy to decide for themselves.) The state should levy an income tax on the net profit of all enterprises. Such an income tax should have a set of supraprofit graduated rates for different trades and goods and for different levels of profit. On the basis of such a multi-tax system, a new dual financial system should be set up through the levying of income tax, the enterprises can become independent economic accounting units which bear sole responsibilities for their own profits and loss.

The readjustment of the taxation system and the institution of new tax rates is a redistribution of income between the central and local levels and between the state and the enterprises. It generally does not interfere with the people's lives. Therefore, when compared with price readjustment, it is a lot easier and has less adverse effects. For certain goods, the tax is too heavy and the profit is too meager whereas for others the tax too light and the profit too large. Both cases

are unreasonable. This problem can only be resolved by readjusting the tax rates. Furthermore, the price of certain goods require readjustment. However, such readjustments might cause price increase of certain daily necessities. In this case, the method of tax readjustment can be used as a transitional measure to readjust the profit of enterprises. For instance, synthetic fabric should have a higher tax rate because it yields a greater profit. Whereas cotton fabric should have a lower tax rate because it yields a smaller profit. In this way, all textile industrial enterprises, whether they are producing synthetic or cotton fabrics, will have more or less the same amount of profit. The defect of this practice is that although the enterprise profit has been readjusted, the irrational price parity between mutually replaceable goods still persist. This still cannot change the consumer's choice of goods nor effect any change in the social consumer structure.

Through price readjustment and transformation of the taxation system, different enterprises of different trades can produce and engage in the trading of different goods. In this way, enterprises with parallel degrees of technological installations and management level can acquire more or less the same kind of profit. Goods in extreme shortage and urgently needed by society and export goods should be allowed a greater profit margin. Ordinary goods or goods not in great demand can have less or even no profit. In this way, production and enterprises which are more beneficial to the overall interest of society can have greater economic benefits. This will encourage the enterprises to enthusiastically develop the "short front" goods which are in short supply and try their best to satisfy the various needs of society. By that time, there will not be any need to assign instructive plans to the enterprises. However, some enterprises are restricted by their specific conditions of construction. For instance, some factories are set up in frontier or remote regions. The expenditures of these enterprises are relatively higher than other places. As a result, they do not have the conditions to compete with other enterprises of the same trade. If these factories continuation is deemed necessary from the perspective of the overall and long-term interest of the state, the state should cancel the drawing of depreciation from the fixed asset invested by these factories on public services and flood control measures. Furthermore, such fixed assets should not be included in the cost of production of the goods produced by these factories. Meanwhile, measures such as tax reduction, tax exemption or financial subsidies can be used so that the profit of these enterprises can be on par with other enterprises of the same trade after improving their level of management.

In short, pricing and taxation are two important links in the whole chain of the economic system. They are the key to the further reform of the economic system. The various reforms of the economic system will not achieve their expected results without first making the necessary readjustment in the pricing and taxation system. At present, the reform of the economic system is at the experimental stage. The reform of the pricing and taxation system should catch up with this development and even surpass it so that this experimental work can be carried out smoothly.

CSO: 4006

NATIONAL POLICY AND ISSUES

OPERATION OF JOINT ENTERPRISES BY STATE FARMS ASSESSED

HK240300 Beijing JINGJI GUANLI in Chinese No 9, 15 Sep 80 pp 5-7

[Article by Guo Shutian [6753 2521 3944]: "Considerable Progress Has Been Made in the Experimental Running of Agriculture-Industry-Commerce Joint Enterprises by State Farms"

[Text] In accordance with the decision of the party Central Committee and the State Council, state farms began the experimental running of agriculture-industry-commerce joint enterprises, from the second half of 1978 onward. In the past 2 years, with the support of party committees and the departments concerned in all localities, this experimental work has made considerable headway, and has met with remarkable success.

The number of experimental units is continually increasing. At the symposium on experimental projects convened by the State Council in September 1978, it was decided that experiments should first be carried out in seven areas, namely Beijing, Tianjin, Shanghai, Shihezi [prefecture in Xinjiang Uygur Autonomous Region], Heilongjiang, Guangdong and Sichuan. By August 1979, there were already 36 experimental units approved by the leadership of provinces, municipalities and autonomous regions. By March of this year, the number of experimental units had increased to 105. With the approval of the State Agricultural Commission, the agriculture reclamation department set up the China Agriculture Reclamation Agriculture-Industry-Commerce Joint Enterprise Corporation. At the present moment, the total of experimental units in 28 provinces, municipalities and autonomous regions, excluding Qinghai, has reached 160. The majority of these experimental units have been approved by the leaderships of provinces, municipalities and autonomous regions, but a few have the approval of local or county level leaderships. There are two farms, built on newly-reclaimed land, in Hanshou County, in the Changde region of Hunan Province, where the county committee insisted that operations be run, from the outset, on the lines of agriculture-industry-commerce joint enterprises, a suggestion which was supported by the region and the province.

The scale of experimentation is continually expanding. When the experiments first started, they were on a relatively small scale, and were mainly carried out by component units, within the scope of the agriculture reclamation organizations. Now, the scope of integration is becoming greater and greater, the integrated units are getting more and more numerous, and the forms of integration are continually increasing in variety. (1) Integration within the agriculture reclamation organizations. For the most part, these possess the following conditions: 1) agriculture reclamation bureaus of provinces, municipalities and autonomous regions set up agriculture-

industry-commerce joint enterprise corporations, which have a single overall structure and two trademarks. Examples of this are to be found in Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang, Jiangxi, Hubei, Ningxia, Liaoning and so on. 2) Regional, municipal and county-level agriculture reclamation bureaus set up agriculture-industry-commerce joint enterprises, as in such places as Chongqing, Harbin, Shihezi, Luoyang, Anshan, Luda, Dawa, Yanbian, Weinan, Dongxi Hu, Nanchang, Nanning and Hangzhou; 3) One farm. Or several farms, integrate their resources, as, for example, the Zhanjiang Huguang agriculture-industry-commerce joint enterprise consisting of three farms and three industrial enterprises in Huguang, and the Jiusan agriculture-industry-commerce joint enterprise in Heilongjiang consisting of 12 industrial enterprises and 5 dairy teams; 4) specialized corporations are organized, such as the ginseng and antler corporation of Jilin, which is made up of 70 state-run ginseng and antler farms from all over the province. Big cities like Beijing, Tianjin and Shanghai have established dairy companies, and many joint enterprises have also organized construction companies, transport companies, service companies and soon. (2) Integration of agriculture reclamation departments and other deparments. For example, the joint enterprises of Tianjin Municipality and the Tianjin Bicycle Company have jointly established a bicycle spare parts factory; they are also consulting the light textile department on the joint setting up of woolen mills, carpet factories and canning factories. The Zhanjiang Huguang joint enterprises are involved in the joint operation of shops and other enterprises with department of commerce. (3) Interregional alliances. For instance, Jiangsu's joint enterprises are combining with those of Jiangxi in the joint running of furniture factories, and with the Nei Monggol farms and ranches bureau to jointly produce woolen goods. (4) Integration with communes and production brigades. Last year, Chongqing's Changjiang joint enterprises combined with 50 neighboring agricultural production brigades to carry out the joint processing and marketing of tea and fruit; this year, they have expanded the scope of cooperation and also developed integration with production brigades in the areas of fisheries and the dairy industry, so that the number of combined production brigades now exceeds 800; in the Chongqing municipal area, they are moreover jointly running hotels, restaurants and cinemas with Nanping commune. The joint enterprises in such places as Harbin, Anshan, Luoyang, Xinding in Shanxi and Yuhang in Zhejiang all rely on the farms for support, and cooperate extensively with the communes and production brigades in their areas. All these types of integration have an important part to play in unified planning and the full utilization of local resources in developing production, as well as in resolving contradictions in farms and communes, and increasing their solidarity. (5) Integration with foreign commercial interests. The Tianjin municipal joint enterprises are operating a jointly capitalized and managed winery with French interests, producing brandy for export.

The results of production operations have been excellent. This can be seen most significantly in: 1) the rapid repayment of debts and increase in profits. Luda Municipality has three farms, whose debts in 1978 amounted to RMB 460,000, whereas in 1979, after the formation of joint enterprises, this was transformed into profit of RMB 1.49 million. Chongqing's state farms had a profit of only RMB 50,000 in 1978, whereas after the introduction of joint enterprises in 1979, this was increased to RMB 1.7 million. The state farms in Tianjin Municipality showed a profit of RMB 2.03 million in 1978, but after the introduction of joint enterprises in 1979, this was increased to RMB 8.53 million. The cultivated area of these joint enterprises was not enlarged at all, and, apart from the raising of purchase prices for agricultural products by the state and the improvement of operational management within enterprises, the inauguration of agriculture-industry-commerce joint

enterprises was an important factor in the large-scale increase in receipts. 2) Reliance of enterprises on their own reserves, and the expansion of the scale of production. In the past, farms put into effect the "two lines of income and expenditure," in the management of their financial affairs; they remitted all their profits to the state, and the state subsidized all their debts. Last year, this method was changed, with the introduction of a system of payment partly in cash and partly in kind, thus greatly widening the powers of initiative of enterprises, and arousing their enthusiasm. Reductions have been made in investment in basic construction in many integrated enterprises; nevertheless, by relying on their own reserves, by making use of the "snowball" effect, and by initiating processing industries for agricultural and livestock products and other sideline industries, many undertakings have been developed, the number of operations increased, and the scale of production expanded. Tianjin's Yangliuqing farm for many years operated only in the agricultural sector, and although its grain production was as much as 1,000 jin per mu or more, and vegetables production was in the region of 10,000 jin per mu, it still did not begin to grow more prosperous. Last year, with the support of the municipal joint enterprises, it set up four factories for the production of watchcases, starch, wire-drawing and tailoring; the profits from these undertakings in the same year were RMB 340,000, and this capital is being used this year for continued expansion of industrial and sideline operations. 3) Reorganization of the conditions of agricultural production, and promotion of development in agricultural production. This is a significant goal in our running of joint enterprises. Each joint enterprise makes use of its own accumulated capital to carry out irrigation and water conservancy works, install agricultural machinery and raise the level of agricultural mechanization and labor productivity. The joint enterprises of Jiangsu Province last year increased their net profit to RMB 29 million, from RMB 2.7 million in the previous year, and their expenditure in developing water conservancy and in purchasing of agricultural machinery amounted to RMB 11 million, thus gradually strengthening the agricultural foundation. 4) Opening wide the door to production, thus providing new outlets for surplus labor. The joint enterprises of Luda and Anshan, through their newly opened processing industry and commercial network, have absorbed a workforce of more than 1,200 people; the building and contracting firm organized by Luda has found jobs for more than 1,500 people. 5) Increasing the state's income from taxation. In 1979, Tianjin's joint enterprises remitted taxes to the value of RMB 2.98 million, an increase of 92.2 percent over the previous year; in 1979, Jiangsu's joint enterprises remitted taxes worth RMB 14 million, which represented a 40 percent increase over the previous year, and Chongqing Municipality's joint enterprises contributed taxes worth RMB 1.24 million in 1979, 27 percent more than in the previous year, while in the first quarter of this year they remitted taxes to the value of RMB 340,000, an increase of 59 percent over the same period last year. 6) Enlivening the market, and making the economy more prosperous. The joint enterprises have all set up commercial networks to market their own products, and increased market supplies. The farm products sold by these commercial networks are generally fairly fresh, and their prices reasonable; their service attitude is good, and their business hours quite long, so that they are welcomed by the masses. Some joint enterprises are supplying their goods direct to industrial and mining enterprises, universities and colleges and to similar consumers, reducing the intervening stages as well as transportation, thus reducing the loss and wastage of goods which they cause.

In general terms, the practical experience of experimentation proves that the decision of the party Central Committee and of the State Council was an entirely correct one, and the broad masses of workers and staff are extremely pleased with it. They say that, in the state farms of the 1950's, which operated only in a single field, they knew nothing but hardship; when they started to engage in industry in the 1960's and 1970's, they had their first taste of success. They now say that bright prospects lie ahead for the agriculture-industry-commerce joint enterprises and following the road of combined operations in agriculture, industry and commerce are important measures for the enrichment of the farms, and conform to the law of economics which states that the relations of production should be suited to the development of the productive forces. There are no grounds for maintaining that the adoption of industrial and commercial activities by farms, or their running of agriculture-industry-commerce joint enterprises, may affect agricultural production, disrupt the centralized socialist market or reduce state revenue.

The experimental running of agriculture-industry-commerce joint enterprises has brought about tentative reforms in the existing economic management organization, and has also sparked off the appearance of changes in the economic structure of farms. In the past, the job of farms was simply to produce raw materials, while the processing of agricultural and livestock products was the responsibility of the industrial departments, and the purchasing and marketing of those products was carried out collectively by the commercial departments; the development of agricultural production was subjected to severe limitations, as well as the price scissors for industrial and agricultural products, with the result that, for a long time, agriculture was the "third world of the third world." At the same time, the overall development of the national economy was seriously affected by regional isolationism and departmental separatism, which disrupted the organic links of economic activities and overturned the laws of economics. In the course of the present experimental running of agriculture-industry-commerce joint enterprises, not only do farms carry out production in agriculture and livestock rearing; they also need to engage in the processing of agricultural and livestock products and in other industries, as well as in the commerical undertaking of marketing their own products. As a result of this, agriculture's long-standing role as nothing more than the producer of raw materials has been altered. This was especially apparent after things were taken beyond the horizontal links between regions, industries and units under various ownership systems, when the first steps were taken toward smashing the attitude of "ossification" in economic work, which had built up over the course of many years, and when the rapid development of the productive forces was stimulated. The facts prove that this integration has great vitality and that its prospects for future development are very broad.

The experimental running of agriculture-industry-commerce joint enterprises which is at present under way is being put into effect without any change in the system of ownership, under the premise of the relations of subordination and of independent accounting systems, and after undergoing certain approval procedures; it is completely different from all previous reforms of the management system, and has caused no fluctuations in production.

The fact that agriculture-industry-commerce joint enterprises have achieved considerable development in experimental operation is a result of their adherence to the principles of voluntary participation and mutual economic benefit. The enterprises are beginning to pay attention to the use of economic methods in the management of business. Because of the existence of the price scissors in agricultural

and industrial goods, they have been careful to obtain plenty of benefits for agricultural production units when dealing with the economic relations between the producing, processing and marketing units, generally speaking, they have made use of the following methods: 1) The implementation of internal prices. Processing and marketing units purchase agricultural and livestock products at higher prices than those fixed by the state, in order to increase the revenue of the agricultural producing units. 2) The return or division of profits, plowing most of the profits from processing and sales into the agricultural production units. 3) Operation on the basis of pooled capital, and the distribution of dividends on a partnership basis. For example, the production brigades participating in the Ba County subsidiary of Chongqing Municipality's joint enterprises each contribute 10,000 jin of oranges and tangerines, or RMB 200 in cash, as a share, and then form a board of directors to decide on important matters concerning the enterprise. The profits returned by the enterprise's processing and sales activities are distributed according to the number of shares held. Apart from this, in distributing bonus awards from profit in excess of that planned for, some enterprises give a large proportion of the extra money to agricultural units than to industrial units, and in apportioning the enterprise's management expenses, they expect more from industrial than from agricultural units, or collect according to output value; in setting profit margins, they require that industrial units serving the needs of agriculture (such as those repairing agricultural machinery) should make neither a profit nor a loss, and so on. Doing things in this way is advantageous in arousing the enthusiasm of agricultural production units and is useful in the successful implementation of this basis for agriculture. Only when agriculture flourishes can raw materials be made available for processing, and a source of supply be provided for marketing.

In order to increase the production of commodities and raise the proportion of agricultural and livestock products on the market, many joint enterprises are making the fullest possible use of the natural resources and labor reserves in their own areas, encouraging strong points and avoiding weaknesses, bringing superiority into play, and reorganizing operational planning and overall production policies on the principle of suiting measures to local conditions, thus gradually progressing in the direction of specialization and promoting the modernization of agriculture. In many joint enterprises, the proportion of goods produced for self-sufficiency is on the decline, whereas the proportion of goods produced for sale is on the increase. At the same time, following the development of joint enterprises, new socialist cities and towns which link together agriculture and industry, town and country, are springing up, and the whole appearance of the agricultural areas is gradually being transformed.

The operation of commercial undertakings by joint enterprises is a new phenomenon; at the outset, there were many difficulties, and experience was also lacking, but after 2 years of struggle strong ideological and institutional obstructions have been overcome and a breakthrough has finally been made. Now, the joint enterprises have set up many sales networks, they have found a position for themselves in commerce and developed techniques for marketing their goods, and they possess a commercial fighting force. The commercial activities of joint enterprises are a component part of China's socialist state-run commerce, and they make their own contribution toward enlivening the market and bringing about a prosperous economy in collaboration with the state-run commerce departments. At present, the commercial activities of some integrated enterprises are in the retail as well as the wholesale trade; they sell their goods not only in their own district, but also to other areas, and some have even entered the international market; the emphasis in the

commercial activities of joint enterprises is on selling their own products, but at the same time they market goods produced by other enterprises. If the products of joint enterprises come directly onto the market, competition is bound to arise with other commercial departments. This kind of competition has many advantages for encouraging progress, eliminating backwardness, raising product quality, promoting the development of production and satisfying market demand. The goods currently being sold by the joint enterprises represent only a very small proportion of the total goods in circulation. As the joint enterprises develop and market adjustments are expanded, the joint enterprises will have to further expand the scope of their marketing of products. So as to gain an assured position for their own goods on the market and be competitive, joint enterprises in all localities are vigorously taking the following steps: 1) striving to increase the variety and raise the quality of their products; 2) striving to perfect enterprise management and reduce production costs; 3) reducing selling prices where appropriate (this applies only to the sector where prices are allowed to float) and realizing small profits but at a high rate of turnover; 4) striving to raise the quality of service and maintain trust worthiness; 5) striving to expand sources of supply, and to preserve special characteristics and 6) increasing storage capacity.

The experiments in agriculture-industry-commerce joint enterprises make new demands on leaders and on management cadres. The leaders of enterprises must possess certain specialized skills and a certain understanding of management. They must be capable of managing not only agricultural undertakings, but industrial and commercial ones as well. In order to adapt cadres to the new conditions, all localities are currently using the method of calling them in, and sending them out, stepping up training and raising the levels of technology and management.

Although agriculture-industry-commerce joint enterprises have been in existence in China for only a short time, their superiority is nevertheless already apparent. At the moment, there are still many difficulties, the most significant of these being the current system of economic organizations, and the fact that certain economic policies are not appropriate. We believe that under the leadership of the party Central Committee and with the implementation of reforms in the system of economic organization, these problems will eventually be resolved and joint enterprises will make giant strides in pursuit of the great goal of achieving the "four modernizations."

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IMPROVED ORGANIZATION OF SOCIALIST CIRCULATION CALLED FOR

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[Article by Xue Jiaji [5641 1367 7535] and Li Zongjin [2621 1367 6855] of Philosophy and Social Sciences Research Institute of Jiangsu Province: "Organize Socialist Circulation According to the Basic Economic Laws of Socialism"]

[Text] To organize socialist circulation well, we must basically follow the objective economic laws in the realm of socialist circulation. Under conditions in which commodity production and commodity exchange exist, the laws applicable to the realm of socialist circulation include the law of supply and demand, the law of value, the law concerning minimizing the time taken for circulation, the law of competition and so on. However, these laws are applicable only under the conditions of a socialist economy and the economic relations which they reflect now are different from those of the past and therefore the area and the degree of their application and form of manifestation are different. The application of these laws is governed and affected by the basic economic laws of socialism. Hence, an important problem which must be noted in order to perform socialist circulation well is to have a clear understanding of the objective of socialist circulation and work in accordance with the basic socialist economic laws and other economic laws in the realm of socialist circulation.

What is the objective of socialist circulation? Socialist circulation is the middle link in the entire process of socialist production and as such has an objective which is determined by the objective of socialist production. The direct objective of socialist production is to satisfy to the fullest extent the constantly increasing material and cultural needs of the whole society. Hence, the objective of socialist circulation is also to satisfy society's consumption needs with regard to production and livelihood under the guidance of the state plan and by means of exchanging commodities with money as the medium. This should be the starting and ending point of our carrying out socialist circulation well.

Do we have a clear understanding of the objective of socialist circulation? It must be admitted that our circulation departments have done much work in satisfying the need of society. Unfortunately, because for a long time people have not had a clear understanding of the objective of socialist production, the objective of socialist circulation is not very clear. The imbalance in the internal relationships of the national economy is reflected in the realm of circulation, namely, in the fact that supply and demand are disjointed. The phenomenon of production for production's sake in the realm of production is reflected in the realm of circulation, where

serving production and serving consumption have been set against each other, and undue emphasis has been placed on serving production. Under such conditions, in order to ensure market supply, the measures of an unrestricted state monopoly for purchase and marketing and of mass buying and canvassing were adopted, resulting in a large number of commodities being included in the sphere of planned supply. Thus in industry and commerce, "whatever was produced was purchased, regardless of quantity." Also, to prevent speculation in the event of commodities being in short of supply, emphasis was laid on opening up only one single channel and letting monopoly have a free rein. Originally it was thought that under a planned economy the bigger the area of monopoly the better, but facts have proven that in so doing the results do not conform to our real social and economic conditions, nor to our current system of circulation and do not contribute to solving the contradiction between supply and demand.

As a matter of fact, under socialist conditions, the difference in time and space between the buying and selling of commodities represents the source of the contradiction between supply and demand. The sale of a product of a production unit to the commercial department only signifies the entry of the product into the domain of circulation from the domain of production. Whether or not the commodity suits the needs of society depends ultimately on whether or not the commercial department can sell it to the consumer. Just as Marx wrote: "If a commodity is cast into the melting pot or circulation and no currency is derived from it, it fails to be sold by the owner of the commodity and fails to be bought by the possessor of currency, then the commodity becomes a useless article" (Marx: "Das Kapital," vol I, People's Publishing House, first edition (same below), p 132). Only by having a clear recognition of the objective of socialist circulation, by bringing circulation to terms with consumption, and striving to meet social needs from the very outset, can we better organize and reach an equilibrium between supply and demand. Only then can we achieve mutual conformity and equilibrium between social production and social needs. In the final analysis, the relationship between supply and demand is the reflection of social production and social demand in the realm of circulation. Only in clearly understanding the objective of socialist circulation can we correctly utilize the reaction of circulation upon production, make production follow in the steps of consumption and enable the production structure and the demand structure to get in with each other more closely. Any diversion from this point will cause a dislocation between production and consumption and also a dislocation between circulation and consumption. Stalin aptly pointed out: "Production which is out of joint with social needs is destined to regression and destruction" (Stalin: "Problems of Soviet Socialist Economy," People's Publishing House, 1961 edition, pp 60, 61). Similarly, circulation which is out of joint with consumption will suffer the same fate.

There are many manifestations of dislocation between circulation and consumption in actual life:

1. Discrepancy in quantity between commodity supply and demand. On the one hand, supply lags behind demand but on the other hand, certain commodities are stockpiled. Take the case of Jiangsu Province: in this province, commodity production and commodity exchange are relatively well developed. Originally the situation had always been that commodity availability exceeded the purchasing power of society. During the period of the first 5-year plan, each year much currency was withdrawn from circulation. The best year was in 1957 when the currency withdrawn from circulation amounted to 150 million yuan. Unfortunately, following imbalances in the internal

relationships of the national economy on several occasions, commodity supply became increasingly short of demand. After 1965, for many years there was no withdrawal of currency; instead, the amount of currency in circul ion increased. In the 15 years from 1965 to 1979, 10 of the years saw an increase in investments while 5 years witnessed currency withdrawal. Meanwhile, the state of commodity supply lagging behind demand was further aggravated by the goods lacking marketability and the prevalence of goods stockpiling. According to an investigation made by banks in Wuxi Municipality in 1979, the quantity of commodities stockpiled by commercial departments, namely, goods of a questionable nature, accounted for 10.3 percent of the entire stock of goods. Among the goods of a questionable nature were: 1) goods marketed in only small quantities but accounting for a big proportion of stock-in-trade accounted for 51.45 percent; 2) lackluster goods accounted for 44.54 percent; 3) goods of substandard quality but high in price accounted for 1.86 percent; and 4) damaged or spoilt goods accounted for 2.15 percent. For the province as a whole, goods of a questionable nature accounted for about 10 percent of the entire stock of goods of the commercial departments.

2. Separation of commodity supply structure from demand structure. Back in 1956 Chen Yun had already pointed out that socialist industry and commerce should constantly improve the quality of their commodities and increase their variety; industrial and agricultural goods should constantly increase in quantity; the service trades should become increasingly servicable and beneficial to the people's socialist industry and commerce. He further pointed out: The unrestricted adoption of the measure of a state monopoly for purchase and marketing would hamper the improvement of the quality of industrial commodities and would cause goods to be stockpiled in one locality and out of stock in another; in industry, too much amalgamation of widely dispersed small enterprise units and premature transference of ownership would reduce the variety and types of commodities and would make the products uniform; monopolizing a business or trade or providing only one single channel of trade, or restricting necessary competition would not only be incapable of meeting the needs of the populace but would also be harmful to promoting production, and so on. All these problems are precisely the problems which need our attention at present. If we were to judge to what extent the consumers are satisfied from such angles as the quality of the goods, their variety and design and the quality of the services rendered, then we would find even more dislocation and even greater disparity. Many commodities have been made without any modifications for several decades without any fear of not being ultimately disposed of since "an emperor's daughter does not have to worry about finding a husband." Old products have stagnated at an old level while few new products have been produced on an experimental basis. There has been no increase in the grades of commodities to correspond with the growth in purchasing power. The supply and demand of commodities lacked mutual adaptability in both quantity and quality.

3. Separation of circulation from consumers' supervision and influence. According to comrades of the commercial department, in the past a client was "the parent providing food and clothing" for the retailers, the retailer was the supporting-pillar of the wholesaler, and industry looked to commerce for favor. Now, the reverse is true; commerce is seeking favor from industry and the retailer waits on the wholesaler for goods. As for the buyer, he is at the mercy of the retailer. He buys whatever goods are available and at times must make side-purchases whether he likes it or not. Logically speaking, satisfying the needs of the populace can be achieved more readily under conditions of socialism than capitalism. But the current method

of having to purchase whatever is produced and sell whatever is purchased makes the circulation department increasingly ignore market fluctuations and the wishes of the customer. In time the consumer loses his power to supervise and influence social circulation and production. In reality, consumers' rights are not respected. Commodity supply being thus separated from the consumers' supervision, it is difficult to fully satisfy the consumers' needs.

4. The commercial service network is separated from commodity increases in the realm of circulation. The social purchasing power of Jiangsu Province has increased at an average annual rate of 10.3 percent and commodity supply has continually increased. But over the years both the component units and personnel of the commercial service network have either been abolished or amalgamated and constantly reduced. According to a survey made in Nanjing Municipality, over the past 20 years there have been two big "concentration" campaigns. In three big renovation and remaking campaigns, batches of service units were abolished, reorganized or amalgamated and by 1965 there were some 15,000 commercial service units in the entire municipality. In the course of the cultural revolution, again the "capitalist tails were docked" and by 1976 there were only just over 3,000 units left in the municipality's commercial network. Over the past 3 years, a number of units have been restored and the total number has reached 4,650. This is still less than one-third of the total number in 1965. Not only has there been reduction in the number of service units, but also their geographical distribution is hardly rational. A large number of them are in the southern part of the city and only a small number in the northern part while more are located in the old districts than in the new. In general, the former situation of "small, dense and many" has now been changed into one of "big, sparse and few." The food, service and repair trades have the least number of service units or points. Over the past 30 years, the population of Nanjing Municipality has increased from 1 million people to 1.8 million, but the number of commercial personnel has not changed much. At present, the number of commercial personnel within the Nanjing municipal area is about 4.37 percent of the entire population.

To eliminate the phenomena of production and marketing being disjointed and also of circulation and consumption being disjointed, it is important to have a correct understanding of the objective of socialist circulation and to organize socialist circulation in accordance with the requirements of the basic socialist economic laws and to implement the objective economic laws in the realm of socialist circulation.

First, we must achieve equilibrium in supply and demand by applying the laws of supply and demand.

Equilibrium in the supply and demand of commodities is the prerequisite for satisfying to the maximum extent society's demands backed up by the ability to pay. Grasping equilibrium in the supply and demand of commodities can also bring about adaptability and equilibrium between social production and social demand by means of circulation.

In the past it was thought that supply lagging behind demand and demand surpassing the increase in supply was a natural phenomenon of socialist commerce and was an indicator of the superior quality of socialism. This claim cannot be supported because acceptance of it would be tantamount to admitting that stringency in commodity supply and demand is rational and that an imbalance between the available

supply of commodities and the social purchasing power is normal. In reality, the relationship between supply and demand always moves in a cycle of recurrent contradictions, from equilibrium to nonequilibrium and back to equilibrium and from mutual compatibility to mutal noncompatibility and back to mutual compatibility. Not to acknowledge the necessity of achieving equilibrium of supply and demand relations is not justified. Objectively speaking, within a given fiscal year, equilibrium in supply and demand relations is a natural phenomenon. The superiority of socialism is not demonstrated by supply lagging behind demand but rather by having a proportionate harmony or coordination between supply and demand and between social production and social demand. The promotional function of supply and demand relations in production is not demonstrated by demand vastly exceeding the increase in supply but is seen in the contradictory movement between supply and demand.

If we cannot consciously organize equilibirum in supply and demand, then the law of supply and demand will assert itself by increasing commodity prices and devaluing currency, thereby forcefully compelling supply and demand relations to reach a state of equilibirum.

To achieve equilibirum between supply and demand, we must principally grasp three aspects of equilibirum.

1. We must seek equilibirum between supply and demand in quantity and suit the available quantity of commodity supplies to the social purchasing power, enabling the various portions of the gross social product to reach equilibrium in value compensation and in compensation in kind.

2. We must seek equilibrium between supply and demand in quality, that is, the commodity supply structure and demand structure should be suited to each other, and we should adapt the production structure and the demand structure to suit each other.

3. We must seek equilibrium between supply and demand in time and space and enable supply and demand to reach equilibrium in different localities and in different seasons of the year.

There are different kinds of equilibrium: equilibrium derived from a shortage and equilibrium derived from an abundance. Then there are different measures for achieving equilibrium: adjusting prices, increasing production, resorting to goods in stock, readjusting imports and exports, regulating the purchasing power, developing noncommodity service trades and so on. All of them can be used at random or in series to organize equilibrium. But most fundamentally we must follow the requirements of the law of supply and demand, bring about harmony in the proportionate relationships within the national economy, particularly in the ratio between the two great sectors of accumulation and consumption, and also bring about harmony in the proportionate relationship between social production and social demand. Only by firmly grasping this focal point can we basically remove the tense situation in supply and demand.

The circulation departments should display their functions of reaction in this connection. They should make good use of their role as "thermometers" and "barometers" in these matters. They should not only take stock of the quantitative and qualitative conditions of supply and demand but should also examine the changes in supply and demand relations. They should not only carry out a good survey of market

conditions but should also make accurate market forecasts. Only if this work is done well can equilibrium in supply and demand be put on a scientific basis.

Second, we must apply the law of competition to realize the utilization and unification of value.

Under the conditions of the existence of commodity production and commodity exhange, the socialist production process still unifies the direct process of social labor and the process of the creation of value. Marx once said: "In unifying the processes of labor and the formation of value, the production process is that commodity production. In unifying the processes of labor and the increase of value, the production process is that capitalist production and is the capitalist pattern of commodity production (Marx: "Das Kapital, Vol I, p 223). The socialist economy is a planned economy and is also a commodity economy. It is still the unification of utilization value and the production of value. Socialist circulation as the bridge between production and consumption relations must on the one hand use various kinds of utilization of value to satisfy social needs and on the other hand enable the smooth realization of value, including the value of leftover products. As for the realm of circulation, the contradiction between utilization value and value can only be finally settled through the exchange process. This is to say, whether or not utilization value and value are identical depends on the acid test in this "melting pot" of circulation. Thus, circulation departments have a great responsibility in bringing about the unification of utilization value and value.

To insist on the unification of utilization value and value, circulation departments may resort to a number of important measures. These include: replacing the state monopoly with unrestricted purchase and marketing by combining monopoly purchase, selected purchase and consultation purchase; replacing purchase with a unitary price system regardless of quality by determinating price according to quality and paying a "good price for good quality;" and replacing unified pricing with a combination of fixed prices, floating prices and free prices. All these measures have one goal which is to encourage competition.

We know that the value of a commodity can only be manifested through the exchange process. Mutual comparison and mutual contest are the essential requirements of a commodity. Solution of the contradiction between intrinsic value and the value of a commodity can only be made through exchange and through mutual comparison and contest with other commodities. Only in this way can utilization value really become the material embodiment of value. This is to say: Only when there is comparison, contest and competition can we realize the important point that society's necessary labor determines commodity value. Only by a process of the contradictory movement between the time element for individual labor and the time element for the necessary labor of society, the contradictory movement between pricing and evaluation and in the course of commodity production and commodity circulation, subjecting the commodities to comparison using such criteria as good quality, low consumption of raw materials, cheap price, beautiful design, market suitability, good services, and commendable economic results, can we solve the contradiction between the utilization value and the value of a commodity and realize the unification of utilization value and value.

Competition must first of all and in a direct manner be manifested in the realm of circulation. Only through promoting competition in the realm of circulation can we

facilitate the transference of the function of competition from the realm of production to the realm of circulation. For this reason, the realm of circulation should take the initiative to start some kind of competition and actual experience over the past few years has proved that it is good to start some such competition. The past practice advocating that "this is the only shop, there are no other branches" and other practices such as disregarding quality improvement, neglecting to increase variety and designs, failure to improve product marketability and generally ignoring good economic results are now changing. In the Suzhou area it has been well established that localities and trades where competition thrived the most were those localities which gave top priority to such matters as correct market data, fast production changes, large variety, high product quality, good service and cheap prices. Under the past system of state monopoly for purchase and marketing, there was no fear of goods not being disposed of. Now, with competition in existence, even an "emperor's daugher" must be subject to comparison and has to "worry about finding a husband."

Competition and the law of value exert effects not only on production and circulation not under the state plan but also on the entire production and circulation process and help the planned economy. Competition can make the formulation of a plan more adaptable to market needs; it can put planning on a basis which always seeks economic results. It can even more rationally formulate planned pricing and subject the plan to test and revision.

Circulation departments must take a rigid attitude toward products which are substandard in quality, overpriced and weak in marketability. Socialist circulation aims at giving priority recommendation to the customers those products which are marketable, cheap and of good quality, so that the value of such products can be speedily realized and so that the enterprises producing these products can reap even more material benefits. Products which are substandard in quality, are overpriced and lack marketability represent a massive waste of social labor power. How can we put such products which are not acceptable to society and therefore have no value under a state monopoly for purchase and marketing under a unitary price regardless of quality?

Naturally, competition within our socialist enterprises is different from that under capitalist conditions. Our is competition among competitors who have basically identical interests but who admittedly have disparity in material benefits and is also competition combined with mutual aid. In giving play to this feature of mutual aid in competition, we have already had much experience in the course of readjusting the national economy and handling industrial and commercial relations. In Nanjing Municipality, a commercial organization system, in endeavoring to promote the production of products for civilian use by enterprises of the military industry, took the initiative to collect market data for these enterprises, provided them with samples, helped them in business accounting, and helped them to reduce production costs with the result that quality products which had been high in price were gradually turned into good, cheap products. Commercial departments in Changzhou Municipality took the initiative to work with the industrial departments to canvass the whole country in an attempt to open up a market for stockpiled products. They put into operation the following three pinciples: 1) Concerning commodities of which industry had a large stockpile but of which commerce also had a large quantity in stock, preference was given to selling the commodities stockpiled in industry first; 2) Concerning commodities of which commerce had a portion in storage but of which industry also had a relatively large quantity stockpiled and for which there was a sluggish market, efforts would be made to promote their sale and at the same time to purchase them; and 3) Concerning those commodities which were unmarketable, the

plants were asked to improve the variety and designs. If the plants had difficulty in making the changes at once, the parties concerned would meet and set the time frame for remaking the products. Meanwhile, the finished products would be purchased first. This kind of cooperation between commerce and industry not only enabled the circulation departments to better serve the needs of society but also encouraged production departments to organize production on the basis of meeting social needs.

Allowing competition to exist may bring about a new set of problems. For example, some localities may formulate a new "protectionist" policy; certain commodities may be produced "blindly;" certain technology may be kept a close secret, and so on. All these problems may be solved by the localities and enterprise units by organizing cooperation among themselves. They may set up joint companies, or start compensation trade, or inaugurate a system of technical patent rights. Contradictions are generally followed by efforts to solve them. The aim should be to change the backward situation and not to protect it or allow it to drag on. We should promote whatever is useful and abolish whatever is evil. We must pay attention to new problems which appear under new conditions but should not "give up eating for fear of choking" or be scared by the existence of competition.

Third, employment of the law of value to achieve exchange at equal value.

Exchange at equal value is the demand of the law of value in the realm of circulation. It is the prerequisite for promoting commodity circulation. Intrinsically, the exchange of commodities should be the exchange of commodities of equal value. Not to practice exchange at equal value or at approximately equal value, will naturally cause value transfer, to the detriment of the interests of one of the two parties in the exchange and adversely affecting their enthusiasm for production and business management.

Under capitalist conditions, exchange at equal value is formed spontaneously but only with reference to an average figure over a stated period. Under socialist conditions, exchange at equal value is shown in planned prices. It is a big problem to make planned prices agree with the principle of exchange at equal value. In implementing planned pricing, our aim is to bring about exchange at equal value or somewhere approaching exchange at equal value. But if it is not carried out properly, the realization of exchange at equal value will be hampered, planned pricing should be formulated or adjusted based on such factors as production cost, market conditions, government subsidy and so on. Planned pricing may utilize the effect of fixing prices regardless of value to control demand and adjust production. But the disparity between price and value should only be maintained for a stated period of time and within definite limits. We should not allow such disparity to last long, otherwise we would be artifically bringing about exchange at unequal value. This would be harmful to the development of commodity production and commodity exchange.

The formulation of our price policy has its historical background but we should gradually improve it in accordance with the principle of exchange at equal value. Irrational pricing will cause a lack of enthusiasm either in industry or in commerce or in both. More often than not the result will be that a price is quoted but the goods are not available or that the goods are inferior. According to comrades in the supply and marketing cooperatives, a policy of this kind is destructive. For example, soup kettles in the rural villages are priced at 0.50 yuan each. This is cheap, but kettles have not been available on the market for over 6 years. The production cost of kerosene lampshades is 0.096 yuan each.

The state purchase price is set at only 0.07 yuan each. As a result, they disappeared from the market for a prolonged period. A certain noted brand of sickles produced in the Xuzhou area had a good reception in Nanjing Municipality. Unfortunately, the store's purchasing price was 0.51 yuan each whereas the sale price was fixed at 0.49 yuan each. Consequently, supply and marketing cooperatives at the basic level displayed no enthusiasm for such fixed losses. Comrades in the cooperatives pointedly asked: Should the pricing policy be based on satisfying the needs of the populace or should a cheap price be fixed but with no goods available? There are other similar problems, some of which are rather complicated. However, the general principle should be that price must be based on value and must change according to changes in value and in supply and demand. If the value has been changed and the supply and demand relations have been changed, then the planned price ought reasonably to be adjusted. The price question cannot be entirely decided by the circulation department alone but when problems do arise circulation departments should insist on the principle of exchange at equal value and promote the rationalization of prices.

Circulation departments should not only bring about the rationalization of prices but also actively carry out a multiple-price system in the realm of circulation. The socialist market embodies different kinds of business units and different kinds of economic forms. Hence its price structure should assume different forms. A multiple-form structure does not contradict the principle of exchange at equal value, rather, it supplements any deficiency in planned prices and thereby facilitates exchange at equal value. Multiple-pricing may assume different forms. Basically there are three different forms: planned prices, floating prices and negotiated prices. Other forms may be added such as dual-prices (a commodity may have a planned price and a negotiated price) and internally allocated prices, making altogether five different categories of prices. The existence of several categories of prices can help put the economy in good, lively sharp and must be carried out. At present, price stability is absolutely necessary but price adjustment cannot be done piecemeal. The necessary conditions must be actively created so that improvement can be made step by step. Putting into operation different price categories and allowing prices to float within a specified limit can have the effect of rationalizing prices. Following is the experience of the Suzhou area: in the machinery processing industry there, prices are known to have been set artifically high. However, after allowing competition and allowing prices to float, it was found that more prices floated down than up. According to a survey of some 807 market products, by far the majority floated down while only the prices of 23 products in great demand were found to have floated 4.5 percent above the commercial retail price.

The division of profits between industry and commerce constitutes another contradiction between industry and commerce. In our country, when private enterprises were being converted, commerce had a large share of the profits than industry. This appeared to be necessary at the time for remaking or converting private industrial and commercial enterprises. Subsequently, commerce's share of the profits gradually decreased and the policy of industry having a large share was carried out. According to a statistical survey of the difference between the purchase and selling prices in department stores it was found that in the 1950's the difference was about 40 percent but later dropped to 15.67 percent. In the 1960's it dropped to 12.31 percent and in the 1970's fell even further to only 10.77 percent. In this way the policy in force was larger profits for industry and smaller profits for commerce and small profits for industry but no profits for commerce. Under certain conditions, this

might achieve the effect of acquiring more industrial goods during a given period, but there is no reasonable theory to support a prolonged and sustained situation of this kind. It is true that commerce should protect industry. Conversely, is it not true that industry should also protect commerce? Production and circulation have a reciprocal effect on each other. If this problem is not handled well, then it may hamper business enthusiasm and effect the overall policy of looking after the general interests of the state, the localities and individual enterprises. Therefore, on the whole, the profits of industry and commerce should generally be the same.

Fourth, applying the law of economizing on circulation time to effect maximum economy in circulation time.

Grasping well the circulation channels and circulation links, effecting economy in circulation time, and taking the shortest possible time and spending the least possible funds in organizing commodity circulation are the means to better satisfy the needs of the populace and shorten the turnover period in social production. What we should pay attention to now is to change the state of few channels but more links to one of more channels and few links.

The chief function of commerce is to replace the producer in directly conducting buying and selling activities, thereby effecting economy in circulation time and reducing the time required for social reproduction. It is definitely incorrect to label commerce as a "stumbling block" or "superfluous link." Our commerce is not on the way to extinction but rather is envisaging substantial development along with the great progress made in the division of labor in society. The problem now is that in the development of commodity circulation we cannot have only one single channel or monopolistic operation. Historically speaking, commodity circulation has never taken the road of one single channel. Even under a capitalist society with its numerous types of commodities, there are wholesalers, retailers and those who handle both production and marketing themselves. Under our own economic conditions with the low degree of division of labor attained in society and the undeveloped state of commodity production and commodity circulation, we should pay even more attention to the coexistence of different kinds of economic components and different types of business organization, as well as to having a large number of circulation channels so that goods can flow smoothly.

We should follow the example around about 1957. At the time, purchasing and marketing assumed many different shapes and forms. We had state-operated commerce handling purchasing and marketing on others' behalf. We also allowed plants and cooperatives to engage in producing and marketing their own products as well as diversifying their marketing activities. We also allowed the existence of stores which were shops in front and residences in the rear and also individual business enterprises. At present, one of the contradictions between industry and commerce concerns the problem of defining the spheres of influence of those who market their own products and agents who possess sole marketing rights under a state monopoly. Under the present conditions, the enterprises concerned must proceed according to plan and agreement. They should restrict the sector providing for marketing of one's own products to the following: products outside or not contemplated in the plan, products over and above the plan, allocated shares of products under the plan, the portion of products under the plan but made from raw materials supplied or procured by the enterprises themselves, the portion of the products under the plan specially understood not to be included in state purchasing, and the portion of new products

being sold on an experimental basis before production of the new products has reached a sufficient quantity for delivery to the state. As for pricing in concerns marketing their own products, the prices for commodities currently being handled by commercial retail merchants should be the same as those charged by the retail merchants but if no retail merchants are currently handling the goods, the prices may be fixed by the enterprises themselves. There must be separate accounting for that portion of the products marketed by the enterprises themselves, for the purposes of payment of industrial and commercial taxes. The aim of this is that the form of development of marketing one's own products must follow a prescribed procedure. However, with the national economy attaining harmony in its internal proportionate relationships and with improvement in the supply and demand relations of commodities, we should gradually broaden the scope of marketing of one's own products and must not subject it to too many restrictions. The production and marketing of one's own products cannot take over the role of the commercial service network, but done in moderation to facilitate production and sales to nearby places, this is more convenient for the populace.

Concerning the matter of having more channels, the question of extent comes into consideration. During the period of the first 5-year plan and between 1962 and 1965, the ratio in retail sales of commodities between state-run commerce and other channels was roughly 75:25 or 70:30. All this amply testifies that in such matters our actions must be lively but not confused and we must control but not strangulate. It seems appropriate to reckon on a ratio of 70:30 for the volume of marketing done by state-run commerce and other channels respectively.

Reducing the number of circulation links is in line with the demand for shortening circulation time and economizing on society's labor power. In order to reduce circulation time, we must rationalize the commercial structure. We must give due respect to and restore the historical and traditional production and marketing relations and organize commodity circulation according to economic spheres and not according to administrative areas. The practice of following administrative areas frequently results in increasing the number of circulation links and in a circuitous transport of commodities, thus causing waste and extravagance. Zhu Town in Lu He District on the outskirts of Nanjing used to purchase goods from Nanjing direct. Now it must deal through the district's wholesale department and it takes 15 days before the goods are in hand for sale. Medicines produced in Changzhou Municipality must first be transferred to a second grade station in Zhenjiang before they can be distributed to Wujin District. The knotty problem is that all the localities want to have control of the commodities and of the profits, and refuse to yield to reason although they should know that it is irrational. It appears that second-grade stations should be placed under the general planning and control of the province. This would help to adjust the structure of the commercial organizations according to economic principles.

We should advocate the direct transfer and supply of goods. Stores at the basic level should be free to select and purchase goods from any wholesale organs in the country and to select and purchase goods directly from plants. Stores should be allowed to travel outside their own areas to select and purchase goods. Similarly, plants should be allowed to travel to other areas to sell their goods. This should reduce the number of links, promote the fusion of production and marketing, and can promote production according to needs. At present our system of control is still not suited to the need for the direct supply of goods. According to the second-grade

stations dealing with goods for department stores in Nanjing, in promoting the direct supply and transfer of goods, the supply and marketing cooperatives at the basic level were initially enthusiastic but many difficulties arose and they found it hard to adhere to the scheme. For example, the commodities under planned supply were under the unified distribution of the district and the second-grade station could not intervene or make a direct transfer of goods. As for those commodities which they could supply, there were difficulties in storage and transport and the burden on the basic level units was increased. All this calls for the creation of the necessary conditions for rationally organizing commodity circulation in reforming the system of control in commerce.

All the four points above concern the problem of how to consciously put into operation economic laws in the realm of circulation. In the realm of socialist circulation, apart from these laws, there are other associated problems of a regulatory nature. If under the prerequisite of having a clear understanding of the objective of socialist circulation and working in accordance with the basic economic laws under socialism, we can allow these laws to fully exert their role, then we can make the socialist market become healthy and lively.

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PRC ECONOMIC JOURNAL DISCUSSES 'FINAL PRODUCT'

HK210218 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 80 pp 67-69

[Article by Chen Zheng [7115 1767]: "On Final Product"]

[Text] I was tremendously inspired after reading the article on "Discussion of the Question of the 'Theory of the Socialist Economic Goal'" (JINGJI YANJIU No 11, 1979) written by Comrade Yu Guangyuan. This is an important question of theory in the realm of socialist political economics. I agree that taking the "maximum increase in the production of the final product needed by people within possible limits" as the socialist economic goal. However, I will give some rather superficial views on the question of the final product.

1. It is necessary to provide a clear definition of the final product. What is the final product? This is to say what are the contents of the final product? At present, there are different views in the academic circles. Comrade Yu Guangyuan summarized the final product as the four categories of personal consumer goods: products needed to develop undertakings such as social education, science, culture, hygiene and health, products needed to carry out social management and class struggle and products for export. Some comrades speak of the final product as articles which can be used, which can be worn, which can be eaten and which can be used after installations of the basic constructions. Some comrades start from the angle of whether the social product has been further processed and think that with the exception of the object of labor, all means of labor and consumer goods are the final product. Some comrades think that the final product consists only of daily consumer goods used by individuals in society and cannot include the various articles required in national defense, public security and administrative management. In sum, the focus of the dispute is centered on two questions: the first one is whether the means of production used in increased reproduction is counted as the final product and the other is what contents should be included in consumer goods.

As for the first question, I think that we must distinguish between the two different concepts of the final product of the enterprise and the final product of society. The final product of society should be consumer goods which satisfy the direct needs of society and the people. These include individual needs as well as social needs. For example, the products manufactured by a certain enterprise are the final product of that enterprise. These products can also be the final product of the society or just intermediary products. For example, cloth produced by textile mills is the final product of the textile mill as well as the final social product which satisfies

the basic consumption needed with the people's lives. As far as an iron and steel plant is concerned, the iron and steel produced at the plant is the final product of that plant. If it is transported to a machine building plant, it becomes a raw material. This "product which has been finished and utilized can once again become a raw material of another product," "or, labor gives the product the form which can only be used as raw material. This raw material is called a semifinished product, or it can be more appropriately called an intermediary product." (Marx: "Das Kapital," vol 1, p 207, People's Publishing House, 1975 edition) This type of intermediary product can only be the final product of the enterprise, but not that of the society. Then, can the means of production be taken as the final product in society? Marx said, "When a use value withdraws from the labor process as a product, another use value, the former product in the labor process, enters the labor process as a means of production. The same use value is the product of labor as well as the means of production of that kind of labor. Therefore, the product is not only the outcome of the labor process, but is at the same time a condition in the labor process." (ibid, p 205) "Therefore, a product which enters a new labor process as a means of production, loses the nature of the product." (ibid, p 207) The means of production is consumed in the production process. When it is produced from a certain enterprise or certain factory, it is the final product manufactured by that enterprise. However, when it is integrated with labor once again as a means of production and is thrown into the production process, it has already lost the nature of its product and can only enter the process of production consumption. It cannot be taken as a daily consumer goods by society and the people but enters the final process of consumption in society. Therefore, it cannot become the final product in society. Thus, although the means of production added as an increase in reproduction is required for the increase in production of certain consumer goods, it can only be the final product in society and should not be designated as the final product of the enterprise. It is not necessary to take the "final product" as the socialist economic goal. It should be replaced by the clear concept of the "final product of society."

As for the second question, namely what contents should be labeled as consumer goods, the question lies in: whether the products required for use in national defense, public security and administrative management should be included in this category? Some people think that if this part is included in the final product, this will increase the expenses of national defense and administative management and it would not simplify the administrative structure and cutting down the number of excess staff members. In fact, this has only shown that expenditure in this section should be gradually decreased and should not be increased without set limits, and cannot explain whether the products in this section belong to the realm of social needs. Socialist planned economy requires concentrated and unified state leadership and management. An important function of socialist countries is to organize socialist economic construction and the products used in national defense and public security are also required for defending socialist economic construction. Therefore, products in this section cannot be regarded as things outside the social needs. It should be said that these belong to social needs. It can be seen that the final product in society should be consumer goods which directly satisfy the needs of society and people and should include the party required in the use of national defense, social order and administrative management.

2. In the study of the final social product, attention should be paid to the dual nature of quality and quantity. All this has the dual nature of quality and quantity.

In the analysis of commodities, Marx pointed out that commodity is the unity of value and use value and the two have the dual nature of quality and quantity. The so-called quantity of the final social product is manifested as a certain index of quantity given to the final product in national economic plans in accordance with the requirements of objective economic laws and thus reveals their production level and extent of growth in conformity with the purchasing power of society and the people. The index of the quantity of the final social product is taken in view of the quantity of use value. The quality of the final product of society means that these products must possess certain characteristics so as to fit a particular purpose. For example, the product has mechanical, chemical or physical properties or characteristics of weight, measurement, shape and color. The final product in society is made up of use value. It must possess the use value of a certain quality. If these are waste products and have no use, they cannot become the final product of society. The final product of society is the dialectical unity of quantity and quality. The quality of a certain product is revealed in a certain quantity. Without quantity, there is no quality. The quantity of the final social product which is required for the socialist economic goal should be quantity which conforms to a certain quality. We cannot speak of quality if there is no quantity. In the study of the final social product, attention should not only be paid to the aspect of the index of its quantity, but also to its quality. Not only this, under conditions where there is still commodity economy in socialism, most of the final products in society still have to be exchanged as commodities in the market. Therefore, we do not only have to pay attention to the quantity and quality of use value, but also to the quantity and quality of its value. Thus, it is necessary to study how human social labor producing these products according to social division of labor is rationally and proportionately distributed in the various departments and various enterprises and enters the production process. If the proportion of the distribution of live labor is sabotaged, an imbalance between the short supply of some products and surplus and excessive supply of other products will emerge. In the production of these products, we must also determine the objective requirements of the amount of commodity value according to the necessary labor time in society and thus calculate the value of these products and strive to attain the greatest economic results by the consumption of the minimum live labor and material labor. If the rate of wastage and the rate of inferior products are reduced in the production process of the final social product, this is manifested as a reduction in the loss of raw materials and working hours. The use of the same amount of raw materials and labor force can produce more products of a better quality. This is revealed as the raising of the quality of the products and also as a reduction in production costs and in the value of the unit commodity. This is the dialectical role of quantity and quality. Therefore, in the study of the final product in society, we must pay attention to the study of the two aspects of quality and quantity of its use value, as well as the two aspects of quality and quantity of its value. The views which deem that the object of socialist production is only for use value and neglect the study of quality and quantity of the value of the final product in society are not comprehensive.

3. The material content of the final product in society is constantly changed following the development of science and technology and the raising of the production level. In capitalist society, the workers' consumption of the required means of living has formed the value of labor. The price and realm of the natural and historically developed necessities for life and the educational fees of workers are an important factor determining changes in the value of labor. The scope and quantity of these daily necessities are fixed for a certain period in a certain society. But

in different society, different periods and different countries, because the levels of development of production forces vary and the degree of the development of scientific technology vary, the scope and quantity of daily necessities also vary. This is the reason for the difference in the wages of the people. In socialist society, although the labor force is no longer a commodity and wages are no longer revealed as the value of labor, the workers' consumption of daily necessities is still the necessary essential material required for the reproduction of labor and the daily necessities consumed are the important material content forming the final product in society. Engels said, "Through planned utilization and further development of the present tremendous productive force and under the conditions where everyone must work, the means of livelihood, means of enjoyment and materials used to develop and manifest all physical and mental power are equal and all the more fully handed to all members of society for distribution." (Engels: "Karl Marx, 'Preface To Employment of Labor and Capital'" in "Collected Works of Marx and Engels," vol 22, p 243) Following progress in science and technology, development in productive forces and constant changes in the entire social economic life, there is a tendency for the variety and scope of the means of livelihood required by workers for maintaining their normal life to constantly increase and expand and among them, the material constituent of the means of livelihood for maintaining the organic activities of workers will change constantly. For example, countries with a relatively low level of animal husbandry takes grain as the main food and meat occupies a very great proportion in the composition of food in countries with a relatively high level of animal husbandry. Next, products consumed for the education and training of workers are a component part of the means of livelihood which must be consumed for the reproduction of labor and also a component required for developing the physical and mental abilities of the labor force. In the early period of capitalism, there was the trend of a reduction in the expenses of education and training for the workers because of the replacement of manual labor by machines. However, the increase in productivity and development in science and technology and in particular, the present process of replacement of mechanization by overall automation with computers as the center have changed the trend of replacement of manual labor by machines so that work becomes more complicated. If the workers do not have a higher scientific, cultural and technological level, they cannot master or control the automated control equipment of high precision or adapt themselves to the constant changes and development in advanced technological equipment and advanced technology. This requires a great increase in products consumed for the education and training of workers and the scope is correspondingly developed. At present, in particular, owing to the development of electronic industries, the teaching by audiovisual methods is widely spread. Material installations related to teaching by audiovisual aids will become the necessary products for education and training and will be produced so as to satisfy social needs. This has increased the variety and expanded the scope of the final social product for education and training. The means of enjoyment is all the more determined by the development level of productive forces and extent of development of scientific technology, because the person seeking enjoyment can only enjoy things which can be provided at that time. In sum, the development of production under the socialist system is for satisfying the needs of people and society. The development of production not only provides a possibility of satisfying needs but at the same time gives rise to new needs. "Needs are developed together with the means of satisfying the needs and are developed through relying on these needs." (Marx: "Das Kapital," vol 1, p 559) It was only after washing machines had been produced that people purchased washing machines and used them in their daily lives. It can be seen that the variety and scope of social means of

consumption and personal means of consumption are increased and expanded daily following the development in production. The final social product is composed of social and personal consumer goods. The increase in the variety and scope of these consumer goods is also the increase and expansion of the material content of the final social product. According to my understanding, the so-called "within the possible limits" in Comrade Yu Guangyuan's statement of "maximum increase in the final product needed by people within the possible limits" should refer to the degree of development of science and technology, the level of development of productive forces and the variety and scope of quantity of the final social product which can be provided under the above-mentioned conditions. (The manuscript was revised in February 1980)

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ECONOMIC PLANNING

GOALS FOR CHINA'S ECONOMY IN YEAR 2000 DISCUSSED

Tianjin TIANJIN RIBAO in Chinese 7 Sep 80 p 4

[Article by Yu Youhai [0060 2589 3189]: "The Year 2000 and U.S. $1,000"]

[Text] The year 2000 will be of special significance in the history of construction by the Chinese people. What will be the shape of the Chinese path of modernization, and what kind of standards will it reach in that year? This is a question of concern to people. The comrades of the central leadership have made this tentative plan: The per capita GNP of our country must reach U.S. $1,000 by the year 2000; at that time China will be "a society that is comfortably well-off."

This tentative plan has aroused wide discussion and interest among all professions and trades everywhere. Some deputies who attended the Third Plenum of the Fifth National People's Congress said that this goal is well devised, clear, and realistic. It can mark a level for the development of production and construction, and it can reflect an increase in the living standards of the people.

Per capita GNP is a method popularly used in the world today to measure the production level and living standards of a country or region. The deputies from Hubei said: This method has advantages over fixed commodity output quotas. The entire country, a province, a county, or even a commune or a production brigade can use per capita GNP as the standard for realizing modernization. It can give full play to its superior conditions and potentials, produce what it can produce best, and set for itself future plans that are geared to actual circumstances. This standard can be seen and felt by every cadre and by the masses. It is related to their vital interests and is easily transformed into self-conscious actions by the masses with strong, exciting effect. People have pointed out another advantage: Using the American dollar to calculate and compare with other countries is a kind of drive and encouragement.

According to the methods of calculation in some countries, the so-called GNP consists of three parts: (1) the national income, which is the net output value of industry, agriculture, construction, communications and transportation, and commerce; (2) fixed property depreciation charge; (3) net income of non-material production departments. For some time, quite a few countries have been calculating the GNP in terms of American dollars and using it to measure their degree of modernization and level of economic development.

What is the per capita GNP of our country? According to the statistics and computations of concerned departments, it was $253 in 1979. To reach $1,000 in 20 years we need to triple our present base.

Can the goal of $1,000 be realized?

People are most concerned with this question, and most discussions center around it. Many deputies at the NPC replied: Difficulties are not small, solutions are many, and the hope is great.

According to statistics for 1979, the per capita GNP in Shanghai Municipality far exceeded $1,000, while Beijing and Tianjin municipalities were not far from this figure. These three municipalities will begin from the present "starting line" toward the year 2000 and will make a significant contribution to the struggle to realize a per capita GNP of $1,000 for the whole country. Many more places still have an exceedingly formidable course ahead. However, it is hoped that by arousing the spirit of the people, success will not be too distant.

Governor Han Ningfu [7281 1380 1133] of Hubei Province made this calculation: The 1979 GNP of Hubei was 18.4 billion yuan, and so at a rate of 1.55 yuan to the American dollar, the per capita GNP of the entire provincial population of over 46 million was $258. If the annual rate of increase in the output value of industry and agriculture over the next 20 years is maintained at the past 30-year average of 7.7 percent, and if the population's natural rate of increase is controlled under 11 per 1,000, the per capita GNP of the entire province by the year 2000 will reach $1,050. He said, "It is possible to make it a little sooner if we do our work a little better, mobilize the positive factors of all sides, and give full play to the superior conditions in our province."

What about Sichuan, which has a population of 97 million? Its per capita GNP in 1979 was only $200, lower than the national average. The preliminary plan is to exceed $820 by the year 2000 and then to struggle for 2 to 3 more years to achieve the goal of $1,000.

Meeting the deputies from the cold temperate zone areas of Heilongjiang, this reporter was immediately moved by the liveliness and cautiousness of their steadfast spirit and thinking. The per capita GNP of this province in 1979 was $366. They plan to reach the goal of $1,000 sooner--in the year 1995.

Deputy Fu Huating [0265 5478 1694] reported the news about the Xing No 14 Production Brigade of Yinhe Commune in Heilongjiang's Gannan County. In 1979 the total grain output of this brigade increased by 500,000 jin over the previous year, reaching 4 million jin. It sold a total of 2.82 million jin of grain to the state, with each member of the agricultural population producing an average of about 4,000 jin of commodity grain. The total income of the brigade in 1979 was 950,000 yuan, for an average of 1,350 yuan per person, equivalent to $870. He said that there has been even greater development in farming, forestry, animal husbandry, and sideline production. It is estimated that the per capita GNP is even closer to $1,000. His statement caused a stir in the group. The deputies from Qinghai Province especially invited him to talk about his experiences.

This reporter also interviewed deputies from provinces and autonomous regions including Nei Monggol, Jiangxi, Fujian, Guangdong, and Henan. Almost each of these places have figures of $1,000, goals that are set in stages, operational policies, and measures to overcome difficulties. NPC Deputy Wang Duo [3769 6995] said: The economy of Nei Monggol Autonomous Region is somewhat backward, but we have our own superior conditions, and we have confidence that we can attain the goal of $1,000.

What will be the people's living standard with a per capita GNP of $1,000? This is a picture everyone is interested in. However, this picture has not been drawn in detail and it needs to be depicted in the course of practice. Some feel that the people's living standard may be similar to conditions in Japan in 1966, when its per capita GNP reached $1,028. Some feel that, owing to certain special conditions in our country such as the absence of class exploitation and low prices of some consumer goods, living standards may be higher. However inaccurate some forecasts and estimates may be, this much can be certain: the year 2000 and a per capita GNP of $1,000 signify that the people's basic necessities of life will undergo great changes and improvement. Educational and cultural undertakings will grow and flourish tremendously; televisions, washing machines, refrigerators, and other advanced durable consumer goods will enter homes in large quantities; meat, eggs, sugar, and milk will form an increasingly greater part of the people's diet; work conditions and the environment will show great improvement.

When people inquire into the realization of $1,000 in the year 2000, they particularly mention two other factors relating to the people's ideals that need to be resolved besides the vigorous development of output capacity. They are as follows:

First, we must vigorously control population growth. Calculating on the basis of an annual increase of 7.5 percent in GNP, if the work of planned parenthood is conducted well, with every child-rearing couple having one and a half children on the average, the population of the whole country will be 1,125,000,000 by the year 2000 and per capita GNP can reach $1,000. If every child-rearing couple has two children from now on, the population of the whole country will be 1,216,000,000 by the year 2000 and per capita GNP will only be $925. If the rate of population increase goes up further, realization of the $1,000 goal will be greatly delayed.

Second, the net income of non-material production departments must be positively enlarged. The GNP consists of the total output value of industry and agriculture, fixed property depreciation charges, and net income of non-material production departments. In some advanced countries where the per capita GNP reaches $1,000, the net income of non-material production departments and the fixed property depreciation charge generally make up about 25 percent of the GNP. In our country they come to only 12 to 13 percent. Positive development of medicine and hygiene, scientific and technological research, culture, tourism, and service trades will greatly increase the ratio of net income of non-material production departments to the GNP. This will be highly advantageous to realization of the goal of $1,000.

According to sources, among some of the advanced countries which increased their per capita GNP from about $250 to $1,000, West Germany took 12 years, Japan 14 years, Italy 15 years, and the Soviet Union 17 years. Our country has a large population, a poor foundation to start with, and conditions that are not favorable. However, as some deputies said: It is possible for the valiant, industrious,

and ambitious Chinese people to run in just a little over 20 years the course that took the above countries 12 to 17 years!

All people who have aspirations for the country's prosperity and for the four modernizations, work hard and go forward!

9586
CSO: 4006

MILITARY METHODS IN ECONOMIC MANAGEMENT SCORED

Harbin HEILONGJIANG RIBAO in Chinese 24 Sep 80 p 3

[Article by Li Qingtang [2621 1987 1016]: "Military Methods Should Not Be Used To Manage the Economy"]

[Text] During the 30 years since the founding of the People's Republic, we have simply moved some of the military programs, principles, and methods used in the past in the revolutionary war into economic management work, and consequently we have been punished by objective economic laws to the harm of our economic construction. In order to increase the scientific and reduce blindness to carry out socialist construction victoriously, analysis and summary should be made of the problem of the "use of military methods to manage the economy."

The dialectic tells us that different things have different inherent contradictions; contradictions that differ in character require different methods for solution. Economics and military affairs belong in two different fields and differ in character. They contain inherent contradictions that differ in character, and laws of motion that differ in character. Therefore, in solving military problems, it is necessary to use military methods suited to military laws, and to solve economic problems, it is necessary to use economic methods that accord with economic laws. Some military programs, principles, and methods may be applied to economic construction inasmuch as they not only accord with military laws, but also accord with the requirements of economic laws. You die and I live is a characteristic of war fare in which the goal is to vanquish the enemy. Economic construction is characterized by human transformation of the material world with the object of continuous satisfaction of the needs of the material life and cultural life of the people. In warfare, owing to the demands of time and the limitations of circumstances, some military methods contain a certain element of adventure, of striking out, and of mortal risk. Blanket metaphysical use of these military methods in economic management invites the introduction of these elements manifested in problems with adventurous rash action striking out with chaotic action, and risky, foolish actions.

Although warfare requires that one know both himself and the enemy in order to be able to fight 100 battles with no danger of defeat, inasmuch as both sides maintain secrecy about their military deployments, it is impossible to have 100 percent mastery of the enemy situation, so when the fighting begins, there are always some risks. Economics, however, requires the fullest investigation and study, and the possession of reliable data without numerous unknowns. In the past, we had quite a few key

projects on which construction had to stop or production had to stop, or on which there was a partial shutdown of construction or a partial halt to construction with huge waste resulting because of the attitude that "doing construction work is just like fighting; you have to take a few risks." In the haste to get underway, construction, designing, and prospecting were all done at the same time necessitating shutdowns, possibly because of the geohydrology or because of transportation problems, or because of energy supplies, or because the source of materials had not been straightened out in advance.

In warfare, the sense of time is very strong. Frequently it is who moves first to occupy strategic ground that determine victory in combat, so seizing the opportunity for battle, concentrating one's forces, and going into action is exceptionally necessary. If this kind of concentration and pushing on is rigidly applied to economic construction, problems may result. Looked at macroscopically, the tendency toward impatience with transition that existed in the past in regard to the form of the system of ownership is an outstanding example. Individuals pushed for a transition to small collectives; small collectives pushed for a transition to large collectives; and large collectives pushed for a transition to ownership by all the people. As a result, matters developed counter to expectations and in contravention of the law that production relationships must suit the level of development of production forces, causing serious impairment to the development of production. Looked at microscopically, the production sequence in enterprises must have a definite balance. This is particularly so in modernized large industrial enterprises where a single product may be made up of thousands and thousands of component parts. If the commando methods of warfare are introduced here, instant chaos will result.

Warfare is politics with bloodshed in which you die and I live. In the annihilation of the enemy, sacrifices can scarcely be avoided. A great deal of combat requires that you risk your life to make an attack or risk your life in defense. But the adversary in economic management is different from the adversary in warfare. Economic construction is for the purpose of being able to perform and for the purpose of having the conditions to perform safe production. If the death-defying methods of combat are brought into economic construction. the safety of persons will be ignored and equipment will be imperiled in contravention of objective laws. This amounts, in fact, to the direct sabotage of production forces. We can also find a painful lesson of this sort in the "Bohai No 2" incident in which lives were lost when a ship capsized.

During the long period of China's revolutionary war, many valuable experiments and ways of doing things were accumulated to produce a military science that is characteristic of China. But when we undertake socialist economic construction, we cannot simplistically apply these valuable experiences to economic work. A large amount of experience has shown that in our economic management, the past practice or the present existence of methods of a "supply system," or "great decisive battles," and emphasis on centralization and on commands, etc, has been very deleterious and damaging.

The application to economic management of the methods of the supply system mistakenly made eating "out of the common pot" into a superiority of socialism, thereby contravening the principle of socialist material benefits and the law of each according to his work, which can dampen the enthusiasm for socialism of regions, enterprises, and workers, and fetter the growth of productivity. The blanket application of economic management of the military method of "great decisive battles" seriously

impairs improvement in economic results. Combat strives for the annihilation of the enemy, and expenditure cannot be a primary consideration. Economic construction, however, strives to use the minimum expenditure to derive the maximum benefit, and the striving for economic benefits must be the primary consideration. For example, the great decisive battle in industry for large smelting of steel, and the great decisive battle in agriculture for the building of water conservancy have shown in practice that the gains have not outweighed the losses. A capital construction battle command that uses military organizational methods and executive methods to unify the various units engaged in construction of a project is also like this. This battle command is established on a foundation of the cancellation of an economic contract between A and B. Since the economic responsibility of all parties has been abolished, all of the units engaged in the project construction are merely subordinates to the command, in the executive organization; they have no relationship of economic benefit, and this contributes to the growth of tendencies toward no economic cost consciousness and eating out of a common pot. It is not clear who is responsible for problems on the project, and overspending and waste can only be reported as actual expenditures. Unless this system is changed, the project will require a long time, costs will be high, and waste great. Countless problems will be difficult to solve and economic benefits will be hard to increase. Blanket use in economic management of the military methods of emphasis on centralization and commands seriously impairs use of the initiative of enterprises and of laborers. Emphasis in combat on centralization and commands is proper; otherwise how could battles be fought without effective control? Centralization is also needed in economic construction, as are rules and regulations that are like directives in nature, but the extent of application and the content of this centralization and these directives are for doing things in accordance with economic laws. There are many other economic activities in which one cannot rely on centralization and commands but rather on the use of the laws of value, the market mechanism, and economic leverage. Blanket application of the military methods of centralization and commands can bring about neglect of the rights of enterprises to expand, because enterprises are not companies, platoons, and squads but relatively independent commercial production entities. It can lead to neglect of democratic management in economics, thereby limiting the full play of enterprise and laborer initiative.

The reasons for the aforestated problems are numerous. One is that most of our leadership cadres engaged in economic management work have been tempered in the revolutionary war and the war of liberation. They have abundant experience in military methods, and they are accustomed to them. Second is that right after Liberation, economic construction was learned mostly from the Soviet Union, and Soviet problems in this regard have had a real effect on us. More important has been the interference in economics of the ultra-left line with economic methods not being given serious attention or application, with the result that problems concerning blanket application of military methods to economic management could not be overcome.

The way to solve the problem is, first, further liberation of thought and a purging of pernicious feudal influences so that some economic workers will be freed from their rigid or semi-rigid attitudes. Second is to turn greenhorns into experts in a real effort to learn to apply economic laws. Third is to establish and perfect economic legislation so that economic management goes from lawlessness to lawfulness, and individual direction proceeds to doing things in accordance with law. This final point is also a major guarantee for the avoidance of blind direction. Without the protection of economic laws, democratic management often is replaced by "the will of the officer in charge," becoming, in actuality, a system of one-man leadership with the working people losing their authority over economic management. For these reasons, establishment and perfection of economic legislation and economic administration of justice is extremely necessary for the protection of economic methods.

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ECONOMIC PLANNING

SHANDONG INDUSTRIAL READJUSTMENT WORK CONFERENCE HELD

Jinan DAZHONG RIBAO in Chinese 5 Sep 80 p 1

[Article: "Further Enliven and Do a Good Job in Production of Enterprises; Provincial Committee Convenes Industrial Readjustment Work Conference to Sum Up and Exchange Experiences and Study Views on Future Readjustment"]

[Text] From 25 to 31 August the Provincial CCP Committee convened a province-wide industrial readjustment work conference. The conference earnestly examined the progress of past industrial readjustment. It summed up and exchanged experiences and studied future industrial readjustment work. The conference decided that the future readjustment work of industrial departments must be more carefully and closely combined with present production, that we must unswervingly implement the policy of giving play to superior conditions, safeguard competition, push alliances forward, get a clear understanding of the situation, bring forth daring new ideas, further enliven enterprises, and continue to develop production. The specific requirements are:

1. Pay great attention to market regulation and give full play to its role. From now on, the development of production cannot merely depend on whether there are planned tasks but mainly on whether there are competitive abilities in the market. For competitive commodities, abundant supply can become short and the reverse can happen. Thus, market regulation must not only emphasize enterprises which have insufficient or no tasks, insufficient raw materials, or poor markets. It must also emphasize enterprises which have relatively sufficient planned arrangements and good markets. Not only must we emphasize prefectural, county, and commune enterprises but also big cities and big enterprises. To achieve high quality and low prices, we must go with the market according to its needs and make timely and appropriate price readjustments. A policy of less profits and more sales can be adopted for goods in general. We must establish a sound market system, strengthen sales contingents, and vigorously develop publicity for the marketing of products. Market regulation is an important affair that concerns the development of the national economy and the people's livelihood. It involves the areas of production, circulation, distribution, and consumption--relationships which are relatively complicated. Thus all levels of departments, including industry and communications, planning, finance and trade, goods and materials, and labor, must closely coordinate with each other and together get a good grasp of this work.

2. Persist in fighting the three tough battles, and further increase the level of production and the competitive abilities of goods. Viewed from this year's

practice in industrial production and readjustment, fighting the three tough battles truly promoted the development of the work of the entire industry and communications. There are only 4 months left in the second half of this year. Time is pressing, and the task is formidable. To complete the plan for the year, we must persist in fighting the three tough battles well. At present, we must emphasize this year's work in quality inspection, summation, comparison, and appraisal. The conference convened in September to give summation, comparison, appraisal, and awards aroused cadres and staff workers to continue their efforts and to raise the quality of industrial products to a new level. For the work of economizing energy resources, we must earnestly promote the experience of Yantai Prefecture. With the prerequisite of not increasing the fuel supply, we must guarantee the surpassing of the production target for the entire year. There are many unfavorable factors that affect the financial plan for the second half of the year. Every part of the province must earnestly study conditions to make up deficits and increase surpluses throughout the year, vigorously promote its own experience that is effective in practice, overcome difficulties by every possible means, and strive to surpass the target in this year's profit plan.

3. Positively push forward for alliances and take the course of joint and specialized cooperative development of production. Henceforth we must continue to accelerate the pace of alliances. We must earnestly sum up the experience of what has already been organized, conscientiously strengthen leadership, and study and resolve problems that appear in the course of development on a timely basis in order to further consolidate. Jointly run enterprises must pay great attention to policy. Persist in the principle of voluntary mutual benefits, and in accordance with the objective demands of economic development, allow joint organization, if it suits the prefecture, and among prefectures and enterprises if it suites the province as a whole and several enterprises. We must pay attention to enterprises that have already been closed, merged, or transferred and enable them to again become normal as soon as possible.

4. Further do well in experimental units for expanding the right of enterprises to free choice. In accordance with the 10 rights stipulated by the State Council bestowed on enterprise experimental units under the leadership of the local party committee and government, the present 173 such units must organize all sides concerned and conduct experimentation in the areas of planning, production and marketing, goods and materials, prices, labor and capital, and personnel matters. In accordance with concerned stipulations of the Provincial CCP Committee, they must progressively reform the system of production management of supply and marketing. For cotton cloth and major knit goods, after the industrial departments have completed the state plan with respect to safeguarding quality and quantity, excess production and new varieties for trial marketing can be put on sale, with the prerequisite of strictly carrying out the state'e stipulated unified policy of collecting cloth coupons and implementing unified sale prices. Areas can be designated for raw materials of some farm byproducts required in industrial production and suitable for connecting with factory teams, by which [arrangement] the factory makes direct purchases or else commissions the basic-level supply and marketing cooperatives to do so. According to the State Council's stipulations, beginning this September four enterprises that possess suitable conditions will be selected to experiment in "independent business accounting, taxation by the state, and assumption of sole responsibility for their own profits and losses."

5. Conscientiously increase safety awareness, strengthen the leadership, and guarantee safety in production. Enterprises in industry and communications must strengthen safety education, reorganize the safety system, adopt effective safety measures, put an end to hidden dangers, and prevent accidents from happening. The production tasks in industry and communications in the next 4 months are exceedingly formidable. All levels of leadership and the broad masses of staff workers must make persistent efforts, comprehensively surpass this year's state plan targets, and realize the demands of making progress and readjustment at the same time.

Participating in the conference were comrades in charge of the Provincial CCP Committee, the provincial government, various prefectures and municipalities, provincial industry and communications, and concerned departments.

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ECONOMIC PLANNING

SHANDONG INDUSTRIES URGED TO SHAKE OFF OLD WAYS OF THINKING

Jinan DAZHONG RIBAO in Chinese 5 Sep 80 p 1

[Editorial: "Get a Clear Understanding of the Situation, Emancipate the Mind, and Enliven Industry"]

[Text] Readjustment work on our province's industrial front has been carried a step further this year. The situation has developed very quickly. The understanding of readjustment by various levels of cadres has greatly increased, and the emanicpation of thinking has been progressive. But some problems still remain. Primarily, some comrades lack an adequate understanding of the overall implementation of the readjustment policy--especially the formidability of the reform tasks, reorganization, and improvement. The mentality of the "three reliances," the mentality of the small producer, and the restriction of rules and regulations still seriously hinder the smooth development of readjustment work. The understanding of the competitive situation of commodities that are now appearing is inadequate. The comprehensive and use of adaptation to resolve problems in accordance with the spirit of the instructions of the central authorities are still poor. These problems should be earnestly and satisfactorily resolved.

To emancipate the mind and enliven industry, we must get a clear understanding of the situation. In particular, we must resolve the problem of the ideological understanding of leading cadres at all levels. The main problem is to collectively deal with how we should correctly regard competition in order to enliven industry and to rid ourselves of the mentality of the small producer. An outstanding characteristic of the present economic situation is that market regulation is becoming extensive and competition increasingly intense. This is because competition is a product of a commodity economy. In developing a socialist commodity economy, competition is inevitable. In order to survive and develop, an enterprise or a new product must consciously or subconsciously compete. Judging by the conditions in our province, industrial readjustment has already developed from resolving problems of proportional relations and problems of some enterprises having insufficient tasks or no work to problems of increasing competitive abilities. Even some goods in urgently short supply are faced with the problem of standing in the market. Scarcity is value; it is an individual temporary phenomenon in commodity production. To develop production and enable a product to stand on firm ground depend essentially on whether the commodity has competitive ability--in other words, whether it is sold to satisfy a need, whether it is of good quality and has a low price, and whether it gives good service. This is a major new problem placed before

enterprises in industry and communications. Therefore, we must closely center around the development of competition, enliven industry, and study and consider our industrial readjustment and production work. Some comrades still have lingering fears about developing competition and worry that it might lead us back to capitalism. This is unnecessary. Socialist competition and capitalist competition are different in nature. Among capitalist enterprises, especially those in the same business, capitalists vie with each other according to the law of the jungle for high profits, causing many factories to close down, workers to lose their jobs, and economic paralysis. This is an unshakable evil created by the contradiction between capitalist private ownership and socialist production and construction, as well as by the increasing need for growth in the cultural and material life of the broad masses of people. Our competition basically has no life-and death type of conflicting relationships. It will not give rise to the phenomena of factories closing down and workers losing their jobs. In contrast, competition among socialist enterprises can encourage and spur advancement, cause mutual promotion, and create joint enhancement. Even though certain problems may appear in the course of our advance, they should not be difficult to resolve if we only conduct our work according to the general and specific policies of the party and do a good job. Therefore, all professions and trades should get a clear understanding of the situation, shatter their misgivings, consciously join the ranks of competition, give full play to one's own superiority, and achieve victory through excellence.

To emancipate the mind and enliven industry, we still need to shatter old habits, old mentalities, and old conventions that are unsuitable to the needs of construction of the four modernizations. Owing to the defects in our economic management system and problems in our work, our industrial and communication enterprises have for a long time nurtured old habits of "reliance of production on planned arrangements, reliance of goods and materials on supply by allocation and transfer, and reliance of products on unified purchase and sale by the state." These old habits affected subjective initiative and weakened the economic vitality of enterprises. The old habit of the "three reliances" came under attack and market regulation progressively developed only after the Party Central Committee and the State Council proposed a series of general and specific policies to readjust the national economy, expand the enterprises' right to free choice, implement the combination of planned and market regulation, give play to superiority, safeguard competition, and promote alliances. The practice of over a year has proved that market regulation is an important supplement that planned socialist economy cannot do without. It is a long-term and persistent policy needed for developing the socialist commodity economy. is directly concerned with whether this year's state plan target can be surpassed, and is the key to realizing increase in production and income. At the same time, the experience of many units has told us that market regulation is essentially market competition. The development of production from now on cannot depend merely on whether there are planned tasks, but mainly on whether it has competitive ability. This is an inevitable trend of the situation. An abundant supply of competitive products can become short, while the reverse can happen and planned products can be refused by consumers and rejected from the market. We must therefore further shatter the mentality of the "three reliances" so that market regulation will develop breadth and depth under the planned guidance of the state. We must do a good job of market regulation, regardless of the sufficiency of tasks and marketability, and regardless of whether the enterprise is operated by state or collective. Through market regulation and competition, production management can be further enlivened.

Shattering the old mentality refers to the mentality of small production unsuitable to the demands of large socialist production. As our country has gone through a long period of feudal society, the mentality of self-sufficient small production became deep-rooted. This kind of habit, reflected in the treatment of the problem of readjustment and reorganization, is seen in the reluctance to break down regional barriers, the restrictions on carving up by enterprises and systems of ownership, and the yearning for "big and complete" and "small and complete." If this kind of mentality is not shattered, it will be difficult to carry out industrial readjustment and reorganization smoothly. No doubt it should be recognized that past policies of simultaneous development, combining simple and sophisticated methods, and walking on two legs contributed to the establishment of industrial enterprises, the development of industrial and agricultural production in our province, and improvement in the people's living. Due to long-term emphasis on developing heavy and processing industries, however, the construction of light and raw material industries was overlooked, causing an imbalance in industrial proportion, decentralization, redundancy, irrational structure, poor economic results, and low competitive abilities--all of which are exceedingly unsuitable for the demands of speeding up the construction of the four modernizations. Therefore, in implementing the policy of readjustment, it is necessary to break the bonds of prefectures, enterprises, and systems of ownership. We must rationally carry out readjustment, reorganization, and economic alliance according to the objective demands of economic development and the principles of coordination among specialized departments. We must give play to strongpoints and strive for economic results, in accordance with the spirit of strengthening light textile, electronic, and chemical industries. Seen from the experience of units which have already allied themselves, economic alliance is beneficial to fully tapping and utilizing the potential of existing enterprises at relatively low investment and the ability to speedily expand production. It is beneficial to improving the structure of industries, implementing coordination among specialized departments, changing the state of "big and complete" and "small and complete," and increasing economic results. It is also beneficial to carrying out scientific management and technological transformation, and progressively making modernization a reality. Therefore we must proceed from the general situation, overcome the feudal and conservative mentality of sticking to old ways and of complacency, and push the work of industrial readjustment a step forward.

The implementation of the policy of readjustment in the national economy and the reform of the economic management system is a very painstaking and complicated task. For over a year, the Party Central Committee and the State Council have adopted many effective measures to deal with the many existing pitfalls in the economic management system, such as overconcentration of power and excessive and stifling control. These readjustments and reforms are of course still preliminary. Before the central authorities carry out major readjustment and reform of the entire economic management system and economic policy, we definitely cannot bear a pessimistic, wait-and-see attitude but should, with the prerequisite of not violating the party's basic, general and specific policies, think of greater adaptation, as well as positively and actively enliven production management. This is the key to whether each prefecture or unit can score victory in competition. The changes that have occurred in industry in Heze Prefecture this year fully demonstrate this question. The industrial foundation of the prefecture is backward and has suffered a long period of losses. Last year it had a deficit of 10.24 million yuan, and this year the loss was expected to be 9 million yuan. In order to free themselves from this difficult situation in a fundamental way, they

emancipated their thinking, made daring reforms, utilized adaptations, and boldly assumed responsibility for profits and losses throughout the whole prefecture. These [steps] effectively mobilized the initiative of enterprises and staff workers. Not only did they eliminate the deficit for January through July, but they have gained 6.53 million yuan in profits. The income of the state, enterprises, and staff workers has greatly increased over former years. The methods used in Heze have provided a valuable experience for the whole province in using adaptation to enliven the economy.

To carry out the policy of readjustment and to enliven industry more effectively, all prefectures, trades, and enterprises must further strengthen their leadership, look to the future, and have a firm grasp of the present. In accordance with the demands and the spirit of selection by excellence, competiton, and alliance of the readjustment policy in the national economy, they must plan our work, launch the masses to continue a down-to-earth campaign to increase production and economize, and truly enable the quality of our industrial products to be continuously improved, their colors and variety to be prominently increased, the consumption of raw materials and fuel to be further decreased, and the [products'] competitive abilities to be greatly strengthened, thus raising the production, technological, and management work of the entire industry to a new level.

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SICHUAN'S FIVE EXPERIMENTAL ENTERPRISES SHOW FINE RESULTS

Hong Kong ZHONGGUO XINWEN in Chinese 22 Aug 80 p 5

[Article: "Significant Results Gained From Trial Operation of Five "Self-Responsible" Enterprises in Sichuan"]

[Text] In experimenting with expansion of enterprise autonomy, Sichuan Province has carried out an experiment using five enterprises in a type of operation characterized by "independent accounting, taxed by the government, and individual responsibility for gain or loss." The practice has indicated that the total value of products increased 50.8 percent in the first half of the year compared with the same period last year, and net profits increased 89.6 percent. The tax paid to the government was 54 percent more than the sum of both taxes and benefits paid to the government in the past.

These "autonomous" enterprises pay only taxes to the government. The taxes include a business tax, a property tax, and an income tax. Profit after taxes is kept by the enterprise itself. After paying the taxes according to the regulations, the enterprise may spend its profit in any way it sees fit, including, for example, paying wages, expanding production, improving the collective welfare, and increasing the workers' income. In this way, those enterprises which are well managed will produce, make a profit, and prosper. On the other hand, any losses suffered by the enterprise must be borne by the enterprise itself, for the government will not step in and bail it out. According to the national plan, and under the leadership of the local government, this type of enterprises enjoys a broader right of autonomy in matters concerning production, supply, distribution, personnel, finance, and materials.

The Economic Commission of Sichuan Province decided not long ago to increase from 5 to 10 the number of this type of "autonomous" enterprises in the latter half of this year.

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REFORMS NEEDED IN ORDER TO MODERNIZE BANKING SYSTEM

Beijing RENMIN RIBAO in Chinese 6 Oct 80 p 5

[Article by Zeng Kanglin [2582 1600 7207] and Yan Yi [0917 3015]: "The Present Financial and Banking System Must Be Reformed"]

[Text] During the process of realizing modernization in this country, many people insisted that management of the economy be strengthened through the use of the banking system and such economic levers as credit loans. In spite of this, the impact of the banking system has not yet been fully felt in China today. Excluding a few objective conditions, the main reason for not being able to achieve this goal lies in our understanding, or lack of it, of the position and workings of the banking system in this country.

The traditional concept of a bank, held by many over a long period of time, has been that the National People's Bank constitutes the three main centers of our national economy; namely, the credit loan center, the accounting center and the center for cash deposits and withdrawals. We consider that such a concept of the bank cannot precisely describe the position held by the bank in our national economy and fails to reveal the impact that the bank can bring about during the reproduction process of our society.

"The three main centers" concept is derived from the Russian example and is patterned after the socialist economic model (e.g., a highly centralized socialist economy) designed by Stalin in that period. However, our present conditions are completely different from the conditions which prevailed at the time Stalin formulated the socialist economic model. Take the bank, for example. We have today not only a bank under the ownership of the whole people but also a collective ownership bank. The sources of funds and the credit loan activities of these banks fit the description of division of labor in some areas but overlap in other areas. The national bank deals not only in short-term credit loans for working capital but also in medium- to long-term loans for equipment. Under such circumstances, can we continue to apply an old theory and describe our national people's bank as a credit loan center?

Still more, "the three main centers" concept is derived from observation of the phenomenon. All loans are concentrated in the bank. All noncash accountings are concentrated in the bank, and so are all cash receipts and payments. What do these

phenomena explain? They can explain the activities and the position of the bank in society only within a very narrow field of currency and credit, but they do not reveal what vital effect the bank ought ot have in a society that is undergoing a process of reproduction.

"The three main centers" is simply calling a tool a tool. Credit loans, accounting, and receipt and payment of currency are nothing but economic levers used by the bank to carry out its business activities, and do not constitute the position or the impact of the bank itself. "The three main centers" explain that the three kinds of levers or tools are concentrated in the bank's hands, but it does not imply that the position and impact of the bank in our national economy are only to concentrate these three levers or tools in its own hands. Today, some comrades, including those in a position of leadership, associate the bank only with the word "money." They regard the bank simply as a safe where money is kept, or a place where an account is kept, or a place where currency is printed. Because of this kind of view toward the bank, they regard the bank as being as heavy as "a thousand jin" when they are in need of money and put it down as being as light as "four ounces" as soon as the need for money is over. This kind of attitude was shaped, to be sure, by many factors. However, there seems to exist more than a thread of correlation between this attitude and the "three main centers" concept about the bank, or the attitude of equating the bank with "money" alone.

Now then, what ought to be the position and impact of our national bank in our national economy? In simple terms, the bank constitutes the backbone of socialist society. The bank ought to utilize the various economic levers available to it and work through the functional activities related to currency and credit to carry out the functions of /distribution/ and /exchange/ during the reproduction process of society, and to /regulate/ the economic life of society. In other words, the bank must play the role of the "nerve center" of the society. [Words in slantlines in italics]

Why do we say so? We all know that the banking institution has a history of several hundred years. During the early stage of capitalism, banks in the social economy occupied only a position which may be described as a "mechanism for credit transactions," acting as a credit intermediary or a payment intermediary. During the later stage of capitalism, or the imperialist stage, "the bank evolved from an ordinary intermediary into an omnipotent monopoly." A fundamental qualitative change had taken place in its position in and its impact on society. It suddenly became "the center of modern economic life" and "the nerve center of the entire capitalist national economy." It reached deeper and wider into every field, every department, and every enterprise dealing with production, distribution, exchange, and consumption. It practically controlled and regulated every phase of the social economy. When the socialist stage arrived, the proletariat took over the control of this readymade "strange and magnificent organization which was developed over hundreds of years under the capitalist system" and, by eliminating capitalist control and influence over it, made it into an even greater organization. And thus a unified, large-scale national banking system was formed which became the national accounting organization and the calculating organization for commodity production and distribution nationwide. Therefore, Lenin arrived at this conclusion: Great banks constitute the "backbone of our society." The party and the government ought to utilize this "backbone" to "regulate the national economic life, which is organized according to the socialist framework."

In a socialist society, the banking system is a functional department of the government for organizing the economy. It constitutes a "magnificent organization" through which the government can manage and regulate the social economy. The bank can use various economic levers at its disposal, including currency, credit loans, interest, and accounting. Working through its own several functional activities, it can absorb and collect various temporarily closed capital items, including national, enterprise, and personal funds, and then redistribute them in the form of loans. Through this act of distribution and redistribution of social and national income, the bank participates in the social reproduction process by circulating and recycling capital. And the circulation and recycling of capital (which is in reality a manifestation of matter in the form of currency) mean that the elements of production (including production capital, raw materials, and manpower) and the products are being exchanged and distributed in the field of production and circulation. Therefore, the position of "backbone" occupied by the bank in a socialist society is manifested specifically during the reproduction process of society when the bank systematically organizes the distribution of capital in the form of credit loans, as well as when the bank organizes the exchange of commodities by providing the means of circulation and the means of payment. By doing these things, the bank has an impact on socialist economic life as its organizer and regulator.

How can we better utilize the regulating role of the bank? We believe that what is most important at this stage is to reform the financial and banking system and gradually resolve the problem concerning the division of labor between finance and banking.

Our present financial and banking system was transplanted from Russia during the 1950's, and this Russian system and the principle of its division of labor were established during the 1930's as a result of credit reform. Therefore, this system may be described as an "old brand" having 50-60 years of history. Over the past 20 years or so, this system did demonstrate its positive impact. However, as the emphasis of national endeavor has shifted, this financial and banking system, which emphasizes an administrative method of management, has begun to show numerous shortcomings which are disadvantageous to manifesting the full impact of a banking system.

First of all, this system favors "big finance and small banking," and thus it artificially hinders the development of the bank's impact. Originally, finance and banking were the two main tools by which a government carried out both the organization and the distribution of social capital. The two were different only in their channels, and there was no difference as to which came first and which came second. Speaking of absorbing postponed consumer capital in the form of personal savings of billions of the masses in the cities and villages, or speaking of absorbing the enterprise capital realized from depreciation or withholding of profits, the banking organization, as well as the breadth and depth of its dealings with the distribution of the capital of society, should be increased, because this capital should not be organized or distributed by the financial institution without compensation. Lenin used to refer to the bank by the adjective "great" and used the term "great bank." However, a theory has been going around in Russia for a long period of time: finance is the "main tool" for organizing and distributing capital, and the bank is an "auxiliary tool." This theory is also quite popular among a portion of our comrades and is often regarded as normal. Applying this idea of "main" and "auxiliary" to

the division of labor between finance and banking, a situation of one "big" and one "small" will be created naturally. If "big finance and small banking" are the order of the day, how can we talk about the socialist "backbone" and its impact on national economic life?

Secondly, this system operates according to a principle of division of labor in which finance monopolizes and banking complements. The "division of management" between finance and banking is determined likewise. Finance takes control of basic construction capital and fixed working capital, while banking manages the overflow working capital of a temporary and seasonal nature. This is to say that the basic construction capital needed by an enterprise to build plants and purchase machinery and the working capital needed to buy raw materials in order to carry out production are allocated completely without compensation by finance. Banking can handle only a small portion of working capital that is temporary and seasonal in nature over a relatively short period of time. This way, the range of credit loans made by the bank is very narrow, and it is not permitted to make contact with the reproduction process on a large scale. It can play only a small, complementary role in a simple reproduction proecess and have only a "temporary" effect. According to this principle of division of labor between finance and banking, banking is assigned to a small corner by design. How can we expect it to become the "socialist backbone" and regulate national economic life?

Thirdly, the internal management policy of the banking system--which requires unified deposit and withdrawal regulations for all credit loans, unified collection and payment regulations concerning financial matter, and all banks nationwide to eat a mouthful from "the big common pot"--is another obstacle preventing the bank from achieving the objective of regulating the smooth flow of the capital of society.

Because of the three points elaborated above, plus some other reasons, the work related to economic management in this country over the past 30 years has employed the financial tool too often and the banking lever too infrequently; there have been too many administrative measures and too few economic measures. The banking institution, described by Lenin as being an "all-inclusive" and a "magnificent organization," has not been permitted to become "all-inclusive," nor has it been allowed to become "magnificent"; much less can we expect it to demonstrate a significant impact on the entire social economy. For many years we have paid too much tuition to this financial and banking system. The time is now ripe for reform.

How do we reform? In order to make banking a lever to promote development of the economy and the new technology, the banking institution must be made really bank-like. This ought to be the guiding idea and the direction of our efforts when we contemplate reforming the financial and banking system. In view of the fact that reform of the financial and banking system is a major event which involves numerous areas and policy matters, and the fact that the present system, having existed for so long, is not so easy to change at once, we believe that we must move cautiously in two phases, while upholding the spirit that our attitude be positive and our steps be steady.

A small reform to be carried out immediately: (1) The present system of division of labor between finance and banking, in which finance monopolizes all the basic construction capital and banking manages only the temporary, seasonal overflow

working capital, must be changed basically by allowing the people's bank to handle medium- to long-term equipment loans. Let the banking institution move step by step from a simpler reproduction process to the areas of expansion of reproduction. Let the bank gradually strengthen its economic regulatory impact on society. This policy has begun to be implemented in many areas of this country today, but the extent of the loans and the sum of money involved need to be expanded further. (2) A preliminary reform of the management of the banking system, including planning, credit loans, accounting, cash management, and financial management must be carried out in order, under the premise of upholding the principle of concentrated and unified banking business, to adequately increase the right and responsibility of the banks at various levels to handle matters concerning their own organization and their operational capital, thus increasing the bank's impact on society. The provincial people's banking system of Sichuan is currently experimenting with a 10-point reform in connection with the reform described above. This is a memorable step forward.

A large reform, to be carried out later: The system of division of labor, in which finance monopolizes basic construction capital and banking manages working capital loans, must be fundamentally reformed. The need for capital for construction nationwide must be uniformly regulated by the bank. Let the bank become the true manager of the capital and regulate the social economy. There are three key points: (1) Finance should take charge of taxation (including income taxes based on the enterprise profit) and expenditures of a noneconomic nature (such as administrative, national defense, diplomatic and social insurance allocations, etc.) Banking should take charge of the deposit of various capital for social construction projects (including all basic construction capital, modified capital, and working capital). (2) All economic construction allocations which used to be dispensed from the finance budget, including all basic construction capital and working capital, should be changed from allocations to loans. Finance should transfer this sum of money to the banking system as a corresponding fund to be distributed in the form of credit loans, which are to be uniformly arranged and regulated. (3) After finance's basic construction capital is changed to bank loans, the loan applications made for medium to small construction items or by existing enterprises for the purpose of expansion, remodeling and reconstruction will be examined by the bank, in accordance with the national plan and guidelines, to determine the loans' terms and guarantees in light of their economic impact. Loans related to capital construction items will be determined by the government, and the bank will participate in the examination of the economic merit thereof. If the bank should discover that some of the items are economically unreasonable, it may make such a suggestion and the case will be reexamined.

Corresponding to the aforementioned reform of the financial and banking system, we believe that the position of the banking institution ought to be raised and made an integral part of our national economy.

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CSO: 4006

CONSTRUCTION PROJECTS PROGRESSING RAPIDLY IN GUANGDONG

Hong Kong ZHONGGUO XINWEN in Chinese 22 Aug 80 p 1

[Article by Fang Yuansheng [2455 6678 3932]: "Construction of 48 Capital Construction Items Progresses Rapidly in Guangdong"]

[Text] This year, after the basic construction items were reorganized in Guangdong, various engineering construction projects related to the 48 capital construction items which are closely tied to the national economy and the people's lives have made significant progress. At the same time, there are 11 items of construction projects involving more than 1 million yuan of investment which were either halted or slowed down.

There are altogether more than 4,000 items, large and small, of basic construction projects in Guangdong Province. Of these, 48 items are considered capital construction projects. These projects include electric power, light and textile industries, transportation, housing, fishing base, forestry base, harbor, electronic computer station, etc. As for electric power, construction of the No 3 unit of the Huangpu Electric Power Plant, with a capacity of 125 megawatts, has been completed. Construction of transmission and transformer lines between Tongshi and Sanya on Hainan Island has been completed. Construciton of the Sanya transformer station will be finished this month. Construction of transmission and transformer lines from Fengsuba to Meixian and Shantou, from Niulu to Wenchang and Haikou on Hainan Island, and from Huangpu to Tangxia is also making rapid progress. As for light and textile industries, construciton of the Chaoyang Sugar Refinery, with a capacity for pressing 500 tons per day, has been completed. The Shantou Photosensitive Materials Plant, the Shantou Hemp Weaving Plant, and the Fushan Silk Printing and Dyeing Plant are expected to begin production before the end of this year. Those activities which are expected to begin production in part before the end of this year include 20,000 new spindles added to the Fushan Cotton Textile Plant and the newly built filter-nozzle factory of the Zhoushan Sugar Refinery. Work related to the assembling of the equipment and machinery at the Guangzhou Chemical Fiber Plant is expected to be finished before the end of this year. Construction of the Dongjiang Bridge, which is expected to have a great impact on highway transportation in the area, is more than 50 percent complete. By the end of August, 80,000 square meters of floorspace for dormitories, classrooms, and laboratories at seven institutions of higher learning, including Zhongshan University and the Huanan Engineering College, will have been completed. This amounts to 70 percent of the work planned for completion this year.

In addition to the above, during the first half of this year, construction of 880,000 square meters of floorspace for workers' housing all over the province was completed. This is a 20-percent increase over the same period last year.

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LABOR AND WAGES

SOLUTIONS TO GUANGDONG'S EMPLOYMENT PROBLEM SUGGESTED

Guangzhou NANFANG RIBAO in Chinese 17 Sep 80 p 1

[Article by Commentator: "Give Play to Our Province's Superior Conditions; Open All Avenues to Employment"]

[Text] Since the founding of the state, the work of labor employment has obtained great results. The number of workers in the system of ownership by the whole people in our province last year was six times greater than in 1952. Last year alone, jobs were arranged for 470,000 people in the province as a whole. However, it should be understood that the present employment problem is still rather sizable. We must pay great attention to it, mobilize the strength of all trades and professions as well as various aspects of society, and give full play to the superior conditions in our province to resolve this problem.

At present, the basic way to solve the labor employment problem in cities and towns is to emancipate our thinking, relax policies, develop production, open avenues for employment, and implement the government's planned and guided policy of recommending employment by labor departments and combining voluntarily organized and self-sought employment. However, some people are still highly suspicious of this policy. They are essentially "cadres who fear the right" and "masses afraid of change." For a long period of time and particularly since the "Great Cultural Revolution," emphasis was inappropriately put on "big" and "public" in the question of the system of ownership. Emphasis was on the transition from collective to state-owned economies and from small to large collectives, thereby suppressing and even eliminating individual economy and treating this ultraleftist stuff as the most revolutionary. Consequently, the minds of some comrades became bound, and when they heard that diverse types of economic sectors were allowed to exist, they wanted to vigorously develop the economy of the system of collective ownership that assumes sole responsibility for its profits and losses and to appropriately develop nonexploitative individual economy. However, they worry that opening the "double door" is being rightist and that it might lead to excessiveness and disorder. They are particularly ill at ease with the masses operating collective and individual economies, and are fearful of "derailment" by others. Thus it is clear that in order to relax policies and open avenues of employment, it is necessary to continue criticizing ultraleftists and to liquidate pernicious influences. The saying that "the masses fear change" reflects the wholehearted support they give to the party's policy of solving the labor employment problem. But it also shows that they harbor suspicions, worrying that the party's policy

might change overnight and that ultraleftist stuff might return to criticize socialism as capitalism, with the reappearance of "relax when there are difficulties, control when production goes well, and criticize when campaigns begin." It should be admitted that this kind of phenomenon certainly appeared before, but now things are different. We have already summed up experience and lessons. The present basic policy put forth by the Party Central Committee to solve the labor employment problem results from using the principles of Marxism to sum up 30 years of experience and lessons since the founding of the state. Therefore, it is in no way an expedient measure but an important reform of our labor system, a major and long-term policy that follows the Chinese way to modernization.

What then are the superior conditions that our province can use in relation to the problem of labor employment? In what areas should we open avenues of employment? Viewed from present actual conditions, the main areas are as follows: First, we need to speed up the development of light textile industry and handicraft industry. Before liberation, "Beijing and Guangdong sundry goods" enjoyed a high reputation in the domestic market. If we only pay attention to giving play to the superiority of this aspect by establishing a light-duty economic structure, and vigorously develop light textile industry, particularly the various labor-intensive types of handicraft industry and industral art, then we can arrange employment for a large labor force. Second, we must be fully aware that our province is the southern gateway of the motherland. It borders on Hong Kong and Macao, where many overseas Chinese and compatriots come and go. The number of foreign friends, overseas Chinese, and compatriots from Hong Kong and Macao who [pass through] Guangzhou to visit various parts of the country continues to increase each year. Therefore, if we do well in giving play to the superiority of this point and vigorously revive and develop commerce and service trades, including those needed to suit the development of tourism, employment can be arranged for a large number of people. According to statistics of concerned departments, in 1959 there were 180,000 staff workers in retail stations of the collective trade in the whole province, or 3 percent of the population in cities and towns. However, this percentage was only 0.6 in 1978. If only the 1957 level is regained, the province can arrange employment for 200,000 people. Moreover, there were 156,000 individual industrial and commercial households in 1957, but by 1979 the number had dropped to 38,000. If the 1957 level is regained, the province can arrange employment for 118,000 people. Third, the central authorities have given approval for our province to adopt special policies and flexible measures in foreign economic activities. If we only give full play to the superiority of this point and vigorously develop compensatory trade and the material processing and assembly trade, we can arrange employment for large numbers of staff members looking for work. According to our understanding, the whole province has already signed over 4,000 contracts with foreign merchants. There are some 70,000 material processing and assembly staff workers, 40,000 of whom were arranged by cities and towns. At present, many items are still under negotiation, and we expect greater development these 2 years. This cannot be ignored as a means of solving the labor employment problem. In connection with this, the construction of a special economic region, hotels, restaurants, and housing jointly financed and operated with foreign merchants, as well as the construction of urban administration and housing for staff workers, requires the vigorous development of building materials and construction industries. This can also solve the employment problem for a good number of people.

Resolving the labor employment problem involves a very broad area. All levels of party committees and the government must strengthen their leadership, and all

concerned departments must vigorously cooperate and coordinate with each other. The central authorities have now put forth a correct and realistic policy to solve the labor employment problem. Through this labor employment conference, our province has proposed specific measures suitable for our conditions. Following the development of the undertaking to construct the four modernizations, if the province only proceeds from reality, gives play to our superior conditions, makes concerted efforts, and opens all avenues, it is entirely possible for us to have a better resolution of the labor employment problem.

9586
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NEW POLICIES SOUGHT TO IMPROVE BEIJING'S TRANSPORTATION

Beijing RENMIN RIBAO in Chinese 13 Oct 80 p 3

[Article by Zhu Yuheng [4376 3768 3801]: "Exploring the Restructuring of Transportation Policies From the New Changes in Beijing's Transportation"]

[Text] Heartening Changes

From the 1950's until 1979, Beijing Municipality was almost constantly in a strained situation with regard to its highway and municipal freight transportation. The quantity to be moved was large, but the capacity to move it was inadequate. But unexpectedly, ever since 1979, a dramatic change has occurred in the transportation situation, with a shortage of transportation capacity becoming a surplus of transportation capacity. Between January and April 1980, vehicles of the Beijing Municipal Transportation Company halted their operation of more than 22,000 shifts (8 hours of hauling by a single vehicle constituting a shift) for lack of goods. Vehicles used by various units and enterprises in Beijing in capital consturction, the municipal government, home maintenance, industry and commerce also experienced a shortage of loads and a surplus of transportation capacity.

Why did this change take place? Has the amount of goods declined? No. Quantity of freight in Beijing between January and August this year was the same as for the same period last year. The principal reason occasioning the change was a series of new economic policies that stimulated the initiative of government organizations and business enterprises to use their own vehicles (termed social vehicles hereafter), thereby increasing transportation efficiency. At the end of 1979, the entire city of Beijing had a total of 52,307 goods hauling vehicles of which 4,405 or 8.4 percent, were in enterprises specializing in transportation. Social vehicles numbered 47,902, or 91.6 percent. In the past, even though some units had sufficient transportation capacity to supply their own needs or even capacity in excess of their own needs, they still called upon companies specializing in hauling to haul some of their goods, since the efficiency of their own transportation was not high. For example, though vehicles used by transportation enterprises for the hauling of goods amounted to only 11.3 percent of the total number of such vehicles throughout the city in 1975, they hauled 50.15 percent of the total amount of goods moved throughout the city, while social vehicles, which accounted for 88.7 percent of the total number of vehicles in the city, carried only 49.85 percent of the goods in the entire city. In 1979, a change occurred in this situation. In the course of this single year, some units and enterprises in Beijing jointly organized 396 transportation companies, large and

small, and motorcar units. The number of vehicles totalled 10,000. Transportation efficiency of the social vehicles increased by an average 10 to 15 percent.

The explanation for changes in Beijing municipal transportation are provided in the following facts.

1. The fundamental reason for the former shortage of freight transportation in Beijing was not an inadequate number of vehicles but economic policies being on the wrong track.

2. There was a great unused potential in freight hauling vehicles. For the past 20 years, the government has used all sorts of administrative methods to little effect in unearthing unused potential in social vehicles. Now the situation has changed.

New Problems

Accompanying this heartening change has been the appearance of some new problems.

The first problem is too many goods-hauling vehicles. While a surfeit of transportation capacity has occurred on the one hand, numerous units have blindly purchased new vehicles on the other. According to statistics from the Municipal Public Security Bureau, during the first half of 1980, units in Beijing acquired a total of 3,817 new freight hauling vehicles. This is a very great waste.

A second problem is lack of unanimous understanding of some problems, which creates a certain amount of confusion in actual work. For example, in the situation of surplus transportation capacity and competition, will the strengthening of the "three unities" or will the adroit guidance of action according to circumstances to make best use of advantages bring about competition and promote unity? Should high transportation costs be used to maintain high profits, or should there be low per unit profits on volume hauling? In the pricing of hauling, should it be on the basis of the goods (as for example the size of the shipment, ease in loading or unloading it, or fragility), or should it be on the basis of place of shipment (such as mountain regions or plains), or should it be on the basis of the vehicle to be used (as for example, whether the vehicle is large or small)? Or should it be according to the old rules of 30 years standing that use a single price for all?

Some Transportation Policies Need Study and Restructuring

On the basis of the situation in Beijing, study and restructuring of some transportation policies is currently needed.

On the "Three Unities Policy"

The "Three Unities Policy" was first proposed during the 1950's in the Government Administration Council's, "On Temporary Means of Handling Abolition of the Feudal Monopoly System in Hauling." The temporary methods provided for "unified contracting for goods," "unified deployment of labor forces," and "unified fixed prices" for hauling companies everywhere. Subsequently, the central government department responsible for communications developed the term to mean, unified arrangements about the supply of goods, unified balance in the means of movement, and unified management of transportation prices, which has become the fundamental policy in highway and municipal transportation work in the country.

The "three unities policy" prior to the 1956 completion of socialist reform was correct, and played an active role. But in 1956, following completion of nationwide socialist reform, the political and economic foundation for the "three unities policy" no longer existed. Consequently, its active role became less and less, and its passive role became greater and greater. On the one hand it became a magic weapon for the use of units in charge of transportation to control customers and to block customers, allowing transportation units gradually to propagate and nurture a whole set of business operating methods in the style of a "bureaucratic commercial yamen" that preserved poor service, lack of convenience in transportation, tardiness in deliveries, and excessively high prices. On the other hand, it enabled some government enterprises with inadequate transportation means, as well as transportation units that provided bad service, to make additional unnecessary purchases of transportation vehicles in order to be "small and complete," or "large and complete."

In order to turn disadvantages into advantages and to solve the problem of numerous vehicles with little goods to haul, it is necessary, under the guidance of the state plan, to allow specialized and unspecialized transportation enterprises to make the most of their individual strong points, to launch competition, and to promote combining of enterprises. So long as matters are handled in accordance with economic laws, there is no need to fear government organizations in possession of social vehicles or enterprise inability to manage, and no need to fear that a halt of vehicles for lack of goods by specialized transportation enterprises will cause a crisis. In the restructuring of the "three unities policy," the same tax revenue and profits system should be used for specialized transportation enterprises and social transportation enterprises alike, and in the distribution of energy there should be preferential supply of petroleum production, with vehicles that consume least being supplied more oil, while those that consume most being supplied either less petroleum or none at all. This is the only way to arouse the initiative of all quarters and make the transportation market come alive.

On Transportation Industry Profit Rates and Pricing Policies

The current rate of profit for both the highway and municipal transportation industries tends to be high. Take the Beijing Municipal Transportation Company as an example. In 1979, this company's profit rate for motor vehicle transportation output value was 30.27 percent, and between January and June 1980, it was 26.77 percent. As the profits of motor vehicle transportation enterprises mount, the effectiveness of state investment in economic construction declines. This plus the costs of large industrial and commercial enterprises causes a large amount of state construction capital to circulate and travel around without benefit year after year, and it stimulates numerous departments and units to squeeze out some capital in one way or another to buy vehicles and go into the transportation business. In order to meet the new situation in development of the commodity economy, the profit rate of the motor vehicle transportation industry has to be reduced and suitable, individualized restructuring done to existing transportation prices in an application of a policy of low profits and much hauling. A certain amount of fluctuation downward in transportation prices should also be allowed in order to help launch competition, specialized transportation enterprises thereby making full use of their special position in providing convenient, timely, and eocnomically complete service. This will bring about a gradual readjustment to sensible proportions of the number of social vehicles among the total number of transportation vehicles.

On the Problem of Proportionate Development of the Motor Vehicle Transportation Industry and Various Units in the National Economy

The surplus in transportation capacity is clearly evident, yet the number of vehicles continues to increase year after year the same as ever, demonstrating that the state plan and fiscal units' proportionate development of each sector of the national economy lacks overall investigation and study. In the total composition of freight hauled in Beijing Municipality, capital construction occupies 40 percent. During the period 1957 to 1979, the number of transportation vehicles increased 12.4-fold, yet the area of capital construction during the same period increased less than 1-fold. Furthermore, transportation of commodities takes up a good portion of the quantity transported, but the increase in commodity retail fixtures was only 2-fold. These statistics demonstrate that the speed of increase in transportation vehicles has greatly exceeded the increased in growth of the various sectors served. In order to make rational distribution and use of national construction funds, every planning echelon in the country must greatly cut back on increases in investment for new vehicles in places where an excess of transportation capacity exists, no matter whether in specialized industries or in non-specialized transportation enterprises, and with the exception of continued replacement and improvements in vehicles. They must also strictly control use of foreign exchange to import vehicles. Old surplus vehicles may be scrapped and gasoline guzzlers should be locked up for safe keeping.

9432
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MODERNIZATION OF COMMUNICATIONS, TRANSPORTATION DISCUSSED

Hong Kong ZHONGGUO XINWEN in Chinese 30 Sep 80 pp 4-5

[Article by correspondent Xu Yongping [6079 3057 1627]: "China Striving To Carry Out Construction of Communications and To Accelerate Modernization of Communications and Transportation"]

[Text] China is in the process of overall planning and making rational arrangements in an effort to intensify communications construction for the gradual building of various forms of transportation in concert with the development of an overall transportation network to meet the needs of national economic growth.

A person concerned in the Ministry of Communications said that the specific goals of the modernization of China's communications and transportation are construction on internal rivers of a water transportation network the main trunks of which will be the Yangtze and the Pearl River systems, and the Huai River and the Beijing-Hangzhou Canal, and in which the Yangtze River and the Pearl River will be linked to form unified, unimpeded passage through the main trunks and branches of rivers and lakes. Highway construction will use national trunk highways as their main framework, connecting large and medium size cities, industrial, mining, grain, and cotton bases, as well as tourist areas, to form a highway network consisting of trunk, and branch roads that radiate in all directions. There will also be construction of modernized ports with highly efficient loading and unloading equipment and complete associated facilities to meet the needs of domestic and foreign transportation with Shanghai, Tianjin, Qinhuangdao, Huangpu, and Lianyungang, the five coastal ports, as the main focus. A large oceangoing, coastal, and internal river transportation fleet is also to be built. There is to be a bulk system used for quantity cargoes and containerization of individual and miscellaneous cargoes.

China's port capacity, air and sea routes and highways, as well as the number of its ships and types of ships are currently unable to meet the needs of increasing growth in agricultural and industrial production and foreign trade. In order to strengthen this weak link, in addition to vigorous development and construction of energy resources, China is vigorously engaged in construction of communications and transportation. Principal points where construction is currently underway are as follows:

Accelerated construction at key coastal ports for foreign trade, particularly the coal piers at Qinhuangdao, and Shijiusuo port, the containerization piers at Shanghai, Tianjin, and Huangpu. Efforts are being concentrated on the construction and putting into operation of the more than 40 10,000-ton anchorages, which are now underway.

Restarting of new construction of a group of deep water anchorages and passenger ship anchorages of more than 10,000 tons at the ports of Dalian, Yingkou, Tianjin, Qingdao, Lianyungang, Shanghai, Huangpu, Zhenjiang, and Nanjing.

Undertaking technical improvements, increasing loading and unloading efficiency, and increasing cargo handling capacity of existing piers and ports, bringing them into line with international advanced standards in equipment and management for ocean transportation.

Strengthening development and construction of internal river transportation. During the next 10 years, full use is to be made of the Yangtze River water system, with principal emphasis being placed on Yangtze River shipping, and on improvement and enlargement of ports and docks in order to accommodate the opening of the river to foreign ships and the development of tourism. Construction of the section of the West River from Guangzhou to Nanning, bringing it up to standards for navigation by fleets of 1000-ton barges. Expansion of the Jining to Hangzhou section of the Beijing to Hangzhou Canal to enlarge its navigational capacity. Dredging of the Huai River watercourse to meet standards for the operation of fleets of 1000-ton barges.

Construction of Yangtze River harbors centers on those at Wuhan, Chongqing, Wuhu, Jiujiang, Nanjing, and Zhenjiang. Dredging and repair of the mouth of the Yangtze to permit year-round navigation as far as Nanjing of 10,000-ton ships, and passage as far as Chongqing and Yibin of 1000-ton barge fleets.

Road construction will consist primarily of improvements to existing roads, and improvements in the technology and carrying capacity of trunk highways. Main emphasis is to be on improving and increasing national trunk highways, connecting them into a rudimentary highway network. Road sections at Beijing, Shanghai, Tianjin, and Guangzhou, and at major ports, railroad stations, important industrial and mining areas, grain and cotton bases and major tourist areas will be improved and increased with all possible speed.

Concurrent with improvements and increases in trunk highways will be intensified construction of roads in mountain areas, in border areas, and in areas inhabited by minority peoples, in an effort to transform the backward state of roads in some areas.

Continued increase in the transportation capacity of motor vehicles and ships. Some years from now, not only will the number and tonnage capacity of vehicles and ships be more than double what it is at present, but there will also be constant improvement and increase in the kinds and the technology of all ships and vehicles.

Persons concerned in the Ministry of Communications told the correspondent that the modernization of communications and transportation will be done mostly through the use of China's resources, but the purchase from abroad of some ships and motor vehicles should not be ruled out. China is presently considering various methods of solving the problem of capital for the construction of harbors and fleets. It is at the same time looking for unused potential, innovations and improvements in existing facilities, studying advanced foreign science and technology, and constantly improving management levels.

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CSO: 4006

PROGRESS REPORT ON CONSTRUCTION OF HIGHWAY BRIDGES

Hong Kong ZHONGGUO XINWEN in Chinese 22 Aug 80 p 1

[Article: "There Are 128,000 Highway Bridges in China Today"]

[Text] According to a spokesman of the Ministry of Transportation, there are a total of 128,000 highway bridges in China today, with a total length of more than 3.28 million meters. More than 90 percent of these bridges are permanent bridges.

The Changjiang was without a single bridge before the birth of new China, whereas today, in addition to the two steel bridges for both railroad and highway built one after another at Wuhan and Nanjing, there is a brand-new Chongqing Changjiang Highway Bridge. Construction of this new bridge was completed in July of this year. The bridge structure consists of prestressed steel reinforced concrete. Its total length is more than 1,100 meters, and the bridge is 21 meters wide. It links the main route in the suburbs of Chongqing in the north and connects with the Chuanqin highway in the south. It is expected to have an important impact on the agriculutral and industrial production of the provinces in the southwestern region of this country.

There was only one bridge over the Huanghe, the second longest river of China, before the birth of new China. This bridge was the Lanzhou Highway Bridge, built by the foreigners. Today, there are more than 30 highway bridges over the Huanghe. Every one of the eight provinces through which the Huanghe flows has built highway bridges over it. The Huanghe Highway Bridge situated at Luoyang, in Henan Province, is the longest steel reinforced-concrete bridge built in this country. Its total length is 3,400 meters, with more than 60 spans. The bridge is 11 meters wide; three buses can run side by side.

With the progress of its highway construction, China is putting more emphasis on construction of highway bridges. Highway bridges whose construction work has recently been completed and put into service include a long-span, skew bridge at Peijinag in Sichuan Province and a highway bridge over the Hanjiang in Hubei Province. The Hanjiang highway bridge, situated at the throat of the four provinces of Hubei, Hunan, Sichuan, and Shaanxi, crosses the Hanjiang between Guanghua and Gucheng in Hubei Province. This bridge is 2,000 meters in length and has 58 spans. It is the second longest highway bridge in China today. Those highway bridges which are being built today include a Changjiang bridge at Luzhou in Sichuan, a Changjiang bridge at Gezhouba, and a Huanghe bridge at Jinan in Hubei. The bridge over the Huanghe at Jinan is a skew bridge of steel reinforced-concrete construction, with a total length of more than

1,000 meters and a span as long as 220 meters. This bridge has the longest span of all similar bridges in this country. Construction of the piers and cable towers of this bridge has been completed. Besides the bridges mentioned above, there are a Shihe bridge in Liaoning, a Xijiang bridge in Guangxi, and a Dongjiang bridge in Guangdong. The construction work on these bridges is nearly complete, and they are expected to be open to the public before the end of this year.

China has a long history of bridgebuilding. Stone bridges were built in China as early as the Chou Dynasty (1066-771 B.C.). A stone arch bridge, known as the "Zhaozhou Bridge," was said to be built by stonemason Li Chun of the Sui Dynasty (605-616 A.D.) in what is today Zhao County in Hebei. It was very skillfully constructed and is beautiful in appearance. It is still functional today, and automobiles pass over it safely every day. This proves the wisdom and skill of the working people of ancient China. Since the birth of new China, bridge construction in China has not only taken care to preserve the traditional national style but has also widely adopted the world's advanced technology related to bridge construction. As a result, many bridges of high standards have been built since.

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END

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16 December 1980

China Report

ECONOMIC AFFAIRS

No. 104

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16 December 1980

CHINA REPORT

ECONOMIC AFFAIRS

No. 104

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NATIONAL POLICY AND ISSUES

QUESTIONS CONCERNING USE OF FOREIGN CAPITAL

Beijing CAIZHENG [FINANCE] in Chinese No 2, Feb 80 pp 23-25

[Text] The rational use of foreign capital is an important part of our program to speed up the four modernizations. In order to do a good job and have things proceed smoothly, we would like to give our views on several related financial questions.

1. The Question Whether or Not To Bring It Within the National Plan

If our country is to realize the four modernizations by the end of this century, it will require an enormous amount of construction funds, but where are such construction funds to come from? We recognize that we must rely primarily on self-sufficiency and domestic accumulation for such funds, but at the same time we will also want to use some foreign capital to make up for domestic deficiency of construction funds. However, the amount of foreign capital used will be determined by our overall plan for developing the national economy, and at present we should arrange things according to the policy of "readjust," "restructure," "consolidate" and "improve." However, regardless of what methods we adopt to use foreign capital to introduce technology and equipment, all need to be included in annual and long-range national economic plans. We must seriously try to obtain a comprehensive balance of finance, materials, credit, foreign exchange and exports. This is because if you want to use foreign capital to introduce technology and equipment for national construction, no sector can proceed independently but must be coordinated with national human, material and financial resources. Here we have not only the consideration of the production and supply of domestic support equipment, there is also the consideration of the organization and construction work in the corresponding civil engineering projects. There are the questions of shipping, installation, and technical training, as well as the question of the supply of raw materials and power once the places have gone into production. Only if these are included in the state plan and a good comprehensive balance is achieved will the human, material, and financial resources required by the introduction of new technology and equipment be guaranteed, and the projects achieve full effectiveness. Because of this, use of foreign capital must be reflected in planning state construction, foreign exchange, material resources and finance. National capital construction should be financed from a combination of both domestic and foreign capital. Domestic capital ought to be used to cover domestic support projects and equipment investment entailed in imported projects, go well as management expenses, local transportation costs, customs duties, industrial and

commercial taxes, bank and foreign trade handling charges, etc. The scale of imported items, the rate of progress, raw material requirements, fuel, motive power, transportation, and other factors requiring support and coordination should be included respectively in the national plan and implemented in a concrete manner.

Foreign capital can be used both by businesses and the state itself. All large scale projects, and ones whose products are not exportable and who have no repayment capacity, should have their loans and repayment handled uniformly by the state. All those imported projects which can produce goods for export, create foreign exchange and have repayment capacity, should have their loans and repayment handled by the enterprises themselves. When projects have loans and repayment handled by the state, the borrowed capital and the repayment of the principal and interests of the loan should be included in the state budget. When the loan is made it should be handled as income from foreign loans, and when it is repaid it should be handled as outlay for repayment of principal and interest. Loans made directly by enterprises cannot be included in the national budget, but ought to be included in state capital construction and goods and materials plans.

Recently, some comrades have stressed that the use of foreign capital should be separated from the state plan. They consider the capital construction part of the National Plan too small to satisfy the increasing needs of the "four modernizations" and emphasize that some capital construction should be outside the plan. We believe this will cause an overextension of the capital construction front, will be uncontrollable and will destroy the integral balance. At present we cannot but note the fact that, for many years, the sabotage of Lin Biao and the "gang of four," high norms, and blind directions have caused serious damage to the national economy. We just cannot continue extending the capital construction front, exacerbating dislocations in the national economy, increasing the difficulties of readjusting the national economy and prolonging the readjustment period.

2. The Question of Repayment Capacity

When borrowing foreign capital one has to consider not only the amount of capital required but also one's repayment capacity. No matter what form is employed to use foreign capital, all depend on foreign credit. When borrowing capital one must always be mindful not only of the need to pay it back but also to pay the interest. This is common sense. At present U.S. and European interest rates are very high, with annual rates of as high as 15 percent. This means that the principal and interest on 100 yuan of our currency paid back in 6 or 7 years would amount to 200 yuan, or twice the original amount. Because of this if foreign capital is used to finance part of the National Plan one cannot ignore repayment capacity. This is because when one uses foreign capital what one borrows is foreign exchange, repayment must also be in foreign exchange.

Taking the example of an individual business, the only way to repay foreign loan capital for purposes of introducing new technology and equipment is to increase production of export commodities to obtain enough foreign exchange; otherwise

there is no way to repay the debt. If an individual business is like this, then so is the whole country in the same situation. Projects planning to use foreign capital ought either to be able to produce export commodities or commodities which serve exports. Only by maintaining an overall balance in the National Plan can the importance of export products be discounted for badly needed domestic items, but items of this sort should not be produced in quantities so large as to affect repayment capacity. Moreover, there is the difficulty raised in this of not being able to meet repayments at all. The measurement of any given country's capacity for repayment from the international point of view is usually calculated each year by comparing the amount of principle and interest with that year's amount of foreign exchange earnings from exports. If the ratio of repayment of principle and interest to amount of foreign exchange earned from exports is small then repayment capacity is considered strong. On the other hand, if the repayment ratio to export earnings is large then the country is considered to have a weak repayment capacity. Western countries tend to consider it important that the loan repayment rate should not exceed 10 percent. If it goes beyond 20 percent there is cause for alarm. This is because at 20 percent a country's debts are subject to world economic difficulties or can be affected by conditions of international tension, exports fall, foreign exchange receipts are smaller, and therefore one is producing goods to pay interest, imports use foreign exchange and it is not possible to repay any principle and interest and there is a danger of having to repay an increasing debt. Of course, this is not an absolute case. It is very difficult to measure a country's repayment capacity exactly because of such variables as the abundance of mineral resources, political stability, favorable or unfavorable balance of payments and the position of one's foreign exchange reserves. Some countries' resources are very good but owing to poor management they are not able to keep pace; they borrow but are not able to produce economic results quickly, become overdue in their payments and have no way out other than to borrow new loans to repay old loans; the debt mounts, interest mounts, the burden becoming daily more intolerable and as a result the national economy reaches the brink of bankruptcy. Because of this, our country must at the outset insure in borrowing foreign capital that it is carried out in an organized manner according to the needs of general and specific policies in the development of the national economy. We will want to give priority to projects which will use foreign exchange sparingly, creating more foreign exchange, produce results quickly and create large profits to guarantee repayment of principle and interest.

3. The Question of Establishing Strict Control of Economic Responsibility

The use of foreign capital should be coordinated through the Bank of China's overall foreign plan. Internally it is necessary to adhere to the principle of whoever borrows, repays, and maintain strict economic principles and apply economic management methods. All business loans should be repaid from their own accounts, while all state loans should be repaid from state sources. Each year the first expense provided for in the state budget and in the foreign exchange plan should be repayment of principle and interest, after which other expenses can be looked after. In order to protect the national reputation strict repayment is required. Those businesses unable to meet their repayment commitments should be absolutely discouraged from acting extravagantly and be made to

meet their responsibilities. Those borrowing to finance projects which introduce new technology and equipment should set up units to insure economic responsibility and organize production to meet that end. Those not able to muster economic effectiveness must, nevertheless, be economically accountable. At present it appears that some projects introducing new technology and equipment haven't carried out sufficient preliminary investigations and are lacking in supply of raw materials, fuels, and are moreover just creating a massive waste. There are quite a few cases of this kind, and they ought to be a lesson for us.

Those seeking help for use of foreign capital to introduce new technology ought to be subject to state regulations which would require after handing in their application and after ratification they be subject to outside observation, technical negotiations and informal cost inquiries. The department concerned ought to assist importing units to carry out investigating research well. It must be stressed that research should insure advanced projects have the necessary human, material and financial resources and whether or not they are arranged to maintain equilibrium in the national economic plan; whether geological resources are dependable or not, technology is advanced or not, whether or not there is an economic rationale, whether the costs of bringing it in are appropriate or not, and if some equipment can be locally manufactured or there are local supply possibilities, as well as borrowing and repayment conditions, etc. Importation can only take place under basic practical conditions, under the scrutiny of the department concerned, and when assured of short-term economic results. Businesses seeking the use of foreign capital ought to be managed by economic methods and be self-accounting. Imported projects can all use profits realized and depreciation recovered to repay loans. Some businesses that experience some difficulty in meeting payments schedule can apply to tax authorities for remission or reduction of their tax liability. After clearing the debt an internal audit should be carried out according to current rules in force.

4. The Question of What To Repay Loans With

Those borrowing foreign capital have to use foreign exchange to repay the loan, and an important source of foreign exchange is through commodity exports. We often hear of the following example: use future commodities to repay. This expression is not wrong. However, careful investigation reveals the meaning is not precise, because if we introduce equipment from abroad, we will want to use foreign exchange obtained from export commodities to repay. Export goods include the two elements costs and profits. The cost element includes production expenses which is circulating capital needed for continuous production. In the formal sense it is only possible to repay loans out of accumulation from increased production of products (including tax and profit). In order to clarify what is meant by this we will take a simple example: If you borrow $200 to introduce new equipment, annual products equal $100, costs are $60 and taxable profits are $40. If goods are used to repay the loan 2 years will be required to clear the debt. But the $200 loan consists of $120 costs and only $80 is taxable profits; if taxable profits are used then 5 years would be required to repay the loan. Why then cannot goods be used to repay loans? The answer is affirmative. If products are used to repay loans, one must take costs into consideration as part of the source of capital. In order to reduce the amount of foreign exchange used to repay loans and shorten the period of repayment, it is possible to convert the

loans to local RMB currency, that is taking a foreign debt and turning it into a domestic one. Under the domestic conditions this has advantages for both state and business and deserves consideration. But it is not quite so simple to arrange this kind of repayment because in reality it is only possible to repay debts from profits (taxable) from goods. One can also say the only way to repay loans is through that portion of products that provides accumulation. If one is also considering the possibility of conversion of the external debt into a domestic one, accumulation is still the only possible way to repay it. When using foreign capital we will certainly want to consider those projects that use little capital, provide for economic efficiency, are foreign exchange creating and are capable of large accumulation. Products with a high accumulation rate will be able to repay loans in a short time. On the other hand, if the rate of accumulation is small the repayment period will be very long. If there is no accumulation from the production of goods there is simply no way to repay loans and one will have to resort to other sources of accumulation to repay portions of the loan. One can also put it this way: If one consumes old accumulation, one has to initiate new capital construction. Because of this it is especially important first and foremost to earnestly consider economic efficiency.

9679
CSO: 4006

PRC ECONOMIC JOURNAL ON RESTRUCTURING ECONOMIC SYSTEM

HK301234 Beijing JINGJI GUANLI in Chinese No 8, 15 Aug 80 pp 28-30

[Article by editorial board: "Questions That Require a Closer Look in the Restructuring of the Economic System"]

[Text] Since the 3d plenary session of the 11th Party Congress, we have made great progress both in theory and in practice as well as accumulated beneficial experience in carrying out reform in the economic management system. However, as this work unfolds and intensifies, many questions are being raised that require further study.

Since the start of our new column "Open Discussion on the Restructuring of the Management System" in this magazine, and acting in accordance to the principle of "let a hundred flowers blossom and a hundred schools contend," we have published many comrades important views, for which we have received support from the concerned leading bodies and many readers. In order to carry the discussions a step further, the editorial board now puts forward the following questions that it considers relevant. We welcome views and suggestions based on investigation and research from those who are working in related fields and from theoreticians. Some letters will be selected for publication, while others will be sent to the concerned leading bodies for their reference.

After more than a year's study and practice, our understanding has basically become unified and we have scored some success in the following main points:

1. We admit that it is necessary to develop a commodity economy at the present socialist stage. An enterprise is a comparatively independent commodity producer and should therefore enjoy comparatively independent economic rights and interests. In restructuring the system, the enterprise should be taken as the unit and work should proceed from establishing and expanding the self-management rights of an enterprise.

2. In implementing the guiding principle of combining regulation by planning and regulation by the market, we should stress the former and give full play to the latter. While at the same time we should adopt the policy of developing the strong points of each locality, safeguarding competition and promoting joint enterprises so as to enliven the economy.

3. The state should exercise unified leadership over the economy. We have to change purely administrative methods into economic methods; that is, we have to integrate administrative methods with economic methods. But the stress should be on economic methods. Furthermore, economic laws should be passed to exercise effective supervision over the economic activities, which should be controlled but not allowed to become stagnant, and lively but not allowed to get out of hand.

4. The restructuring of the economic management system is no small matter; it not only requires emancipation of the mind and courage, it also needs caution. It is necessary to actively carry out minor restructuring and at the same time explore more deeply both into theories and by experiments, and thus prepare viable plans for an overall restructuring.

At present, some of the questions that require further study are as follows:

I. How to Go About Further Expanding the Experimental Work of Increasing Enterprise Self-Management Rights?

Altogether, 3,358 enterprises carried out the experiment throughout China last year. An overall view shows us that the direction is correct and the achievement great. Based on incomplete statistics supplied by 2,900 industrial and communications enterprises taking part in the experiment from the country's 22 provinces, municipalities and autonomous regions, the total industrial output last year was up 12.2 percent over that of the previous year, realized profits were up 20 percent and the profits turned over to the state up 13.4 percent. The increases in the above figures are much greater than the average increase of enterprises that did not take part in the experiment. On the basis of increased production and revenue, basically we have achieved the "three mores;" that is, the state receives more, the enterprises retain more, and staff and workers earn more. Moreover, the state receives much more than the enterprises. The questions that require urgent study are:

1. Since the circumstances of every department and enterprise are different, many problems are still found in the existing price levels. Having implemented a profit retention system, enterprises are experiencing different degrees of advantages and disadvantages. How to go about making the amount of profit earned by an enterprise reflect the degree of effectiveness of its operations? Should we replace turning over profits to the state with state taxes? For the time being, price levels cannot be adjusted across the board. Can we, as an interim measure, adopt the method of internal price calculation?

2. The greater part of the profits is retained by an enterprise for its production development fund. How is this part of the fund to be utilized? Is it possible to let enterprises engage in capital construction on their own? Should they invest the fund in other enterprises? As the enterprises are not aware of the national supply and demand situation, what measures should be taken to guide them so as to avoid any further blind actions being taken in capital construction?

3. In our experiment in the expansion of self-management rights last year, our work principally dealt with the expansion of financial rights, and we have achieved some success. However, self-management rights involve many questions, such as compensatory use of fixed capital and liquid assets, the writing off and utilization

of fixed capital depreciation, the selection and dismissal of staff, the self-management rights over wages and bonuses, the drawing up of production plans, the supply of materials, the rights and restrictions in conducting foreign trade and so forth. What policies and measures should be adopted so that they will become a complete system, our own system of socialist enterprise self-management?

4. At present, the experiment is being conducted in industrial and communications enterprises. How can it be expanded into commerce, service and other economic departments?

II. How to Properly Deal With the Relationship Between Regulation by Planning and Regulation by Market, Thus Further Enlivening the Economy?

Since the guiding principle of combining regulation by planning and regulation by the market was implemented in various districts and departments last year, special attention has been given to linking production with demand; furthermore, more outlets for commodities have been secured, while production has been promoted and the market further enlivened. Thus, great results have been achieved. According to incomplete statistics, 10 percent of last year's total industrial production was regulated by the market. In some districts the percentage reached 20-30. The value of self-marketed industrial products has reached 10.3 billion yuan, enabling a great number of enterprises to make the transformation from "not enough to eat" to "too much to eat." The economic effects of production have been enhanced as a result of the special attention being paid to enterprise management and improved standards of service. At present, the main questions to be studied are:

1. How is the question of combining regulation by planning and regulation by the market to be interpreted in theory? Is it a combination of two different things, or is it a case of both systems overlapping to a certain extent? Or is it perhaps one that involves a unified plan within which there is a big plan with some degree of freedom; that is, planning combined with flexibility? In practice, how should we improve the planning system so as to simultaneously develop its guiding function, thus securing control without rigidity, and liveliness without confusion?

2. Giving full play to regulation by planning was largely achieved by allowing enterprises to market their own products last year. However, the real expansion of commodity circulation largely depends on the restructuring of the commercial system (including departments of goods and materials). How do we improve enterprise operations, open up more channels of circulation, reduce the number of links in the chain of circulation, transform passive marketing into active marketing, make enterprises not only understand in time what the demands are and to satisfy them, but also assist in promoting both industrial and agricultural development?

3. On foreign trade, how do we mobilize the initiative of enterprises producing for export? How to expand export of commodities while securing a united effort to enhance the competitiveness of Chinese products marketed internationally by those enterprises engaging in export trade?

III. How to Combine the Work of Promoting the Reorganization of Industry According to the Principle of Specialization and Cooperation with the Restructuring of the System?

Reorganizing industry according to the principle of cooperation with specialization is an inevitable trend in economic development. Most of our country's existing industrial enterprises are self-sufficient. In both large and small enterprises, where the degree of specialization is low seriously undermines the raising of productivity. Since close attention was given to this question a few years ago, we undertook the work of reorganizing industry according to the principle of cooperation with specialization. However, the work was carried out by relying on administrative orders from the higher level, and many companies specializing in different fields and joint enterprises were thus set up. Owing to insufficient study of the objective laws of specialization and cooperation, deviation occurred when the reorganization was being carried out. Some mistook departmentalization for specialization. They divided an originally integrated factory into several sections with each section being considered a specialty. Some even forcefully carried out integration of several factories, lumping production, supply, marketing, manpower, capital and materials together under one management. Some set up many administrative companies, thus the number of organizations with top-level administration has increased aimlessly. Reorganization carried out without following objective laws and without producing economic results is only reorganization in form. In connection with the restructuring of the system, those questions that require urgent study are:

1. Since we admit that an enterprise is a relatively independent producer, possessing relatively independent self-management rights, specialization and cooperation should be on the basis of voluntary participation and mutual benefit. How should administrative departments exercise their functions of guiding and promoting enterprises?

2. The existing financial system is a two-tier system. Since an enterprise's turned in profit is linked to public finance, thus creating "departmental ownership" and "local ownership," which proves to be a hindrance to voluntary participation in forming joint enterprises according to economy laws, how should restructuring be carried out and joint enterprises promoted?

3. Joint enterprises may take various forms, ranging from enterprises with casual ties to enterprises with centralized management. Are there any inherent laws governing the development of these forms of joint enterprises?

4. What measures should be taken to transform administrative companies that have already been set up as enterprises?

5. In addition to industrial joint enterprises, what criteria should be followed in developing joint enterprises such as agricultural-industrial, agricultural-commercial, industrial-commercial, agricultural-industrial-commercial and other forms of joint enterprises?

IV. While Restructuring of the Economic Management System is Being Carried Out, How Do We Institute the Internal Management System of an Enterprise?

Restructuring of the economic management system is carried out mainly to solve the problems in the management of the national economy. On the one hand, it shows the relationship between the state and the enterprises, while on the other hand, it shows the relationship between the various enterprises. In admitting that enterprises are relatively independent producers, possessing relatively independent self-management rights, we are, under the socialist system, inevitably linking it to another question of importance. It is the question of the internal management system of an enterprise with self-management rights. Furthermore, it is chiefly a question of the leadership system. Presently there are many different views on this question. Questions that need to be explored from the aspect of the characteristics of the socialist system as well as from the aspect of the objective laws of economic activities are as follows:

1. How do we go about strengthening and improving the party leadership in a socialist enterprise? How do we solve the problem of not differentiating between the work of the party, the work of the state and the work of the enterprises?

2. How do we carry out democratic management in a socialist enterprise? How to fully develop the supervisory role of the masses? How to practice a high degree of concentration on the basis of democracy so as to meet the objective demands of modernized production on a large scale?

3. How do we separate the rights and duties of the party organs, workers congresses and managers?

4. Having expanded the self-management rights, what kind of role should the labor union play?

Questions related to the restructuring of the system are still numerous and they touch upon all aspects of the economy. The questions raised above are our tentative, superficial views, which may not have been properly presented. However, they are only intended to serve as a reference for those who will engage in further studies and air their views.

CSO: 4006

PRC ECONOMIC JOURNAL ON INTEGRATION OF ENTERPRISES

HK280512 Beijing JINGJI GUANLI in Chinese No 9, 15 Sep 80 pp 10-12

[Commentator's article by the editorial board: "Uphold the Principles of Voluntary Participation and Mutual Benefit and Promote the Integration of Enterprises"]

[Text] In this issue we carry three articles respectively on the experience of Changzhou Municipality in organizing the coordination of specialization in production, on companies that should not deprive their factories of autonomy and on promoting the integration of several textile enterprises in Changzhou and Wujin municipalities. These articles are aimed at providing reference for readers.

It is a necessary trend in the development of the national economy to organize industrial production according to the principles of coordinating specialization. It also plays an important part in restructuring our economic management system. But the principles, method and measures of the restructuring have yet to be studied and summed up. As early as 1962, Changzhou Municipality began to organize specialized coordination in producing corduroy. It has now expanded coordination in eight different enterprises with a certain amount of success. It has thus gained some experience. But it has met with some problems such as how to set up specialized companies and how to develop integrated enterprises. The following are some of the related general problems that merit our study.

The first problem: Should the coordination of specialization be carried out through forcible "restructuring" on the orders of higher authorities or should it be carried out according to the principles of voluntary participation and mutual benefit?

Over the past year or so, many departments and regions have taken positive measures to restructure their industry in a bid to promote specialized coordination in industrial production with a certain amount of success. But in some places, the achievements have been far from satisfactory while in others the measures taken have even hindered the development of production to the dissatisfaction of the masses. Why? No doubt there are many reasons but one is that some departments and places have not followed objective economic laws. On the contrary, they have oversimplified matters in an attempt to forcibly carry out standardized "restructuring" at a stroke.

As specialization and coordination are necessary for the development of industry, they naturally have their own objective laws of development. Capitalist specialized coordination is formed in the process of competition. In our socialist country, we

can enhance such coordination in a planned way, but still we can only act according to objective laws; we can only make the best use of the situation and when conditions are ripe. We are sure to be successful, if we do not proceed from reality and do not consider objective needs and possibilities, but subjectively issue orders to "restructure" "at a stroke," we will not achieve the desired speed.

Some departments and places simply regarded specialization as "dispersing" a factory into several sections, or "spreading" out part of the products or accessories. In fact the nature of specialization is not dispersal but concentration. Specialization means that production of the same products or of products manufactured by using the same processes are concentrated for mass production to increase economic results. If production is dispersed, we will not be able to engage in mass production, on the contrary, we will increase transportation costs. This may also result in a reduction in the quality of the products due to lack of technical sophistication, lower efficiency and waste of management expenses by increasing production costs. Then what is the significance of such specialization?

The situation is the same for the coordination and integration of enterprises. The need for coordination and integration is decided by a certain objective economic need. No matter whether it is coordination in production, integration of sales and supply or even complete integration of production, supply and sales, or whether it is coordination and integration of companies and enterprises, the ultimate aim of all these measures is to achieve better economic results than individual operation to the benefit of all parties concerned. Such regrouping is no doubt significant. If we disregard reality and forcibly group several plants together, set up a company by order from higher authorities and add one more layer of administration or if we at once integrate production, supply, marketing, staff administration, finance and materials to deprive the factories of their very limited and recently won autonomy, then none of these measures will be welcomed.

The key point of the current restructuring of the economic management system is that we must acknowledge that an enterprise is an independent producer of commercial goods, and that it should have relatively independent economic autonomy to combine the economic interests of its staff with its earnings in production. Only in this way will an enterprise become an active organism displaying its initiative in promoting production. In the final analysis, whether the whole national economy can develop rapidly or not depends on the activities of the factories of enterprises. Therefore, the restructuring work must be carried out within the enterprises themselves so as to expand their autonomy.

Since an enterprise is a relatively independent economic unit with relatively independent economic autonomy, the coordination and integration among enterprises or the setting up of a company by several enterprises must be carried out under the premise of voluntary participation and mutual benefit. It will not do for higher organizations to act as "parents that arrange marriages for their sons and daughters." Such organizations must also follow the principles of voluntary participation and mutual benefit so as to promote integration and speed up the development of specialized coordination. The reason that Changzhou Municipality gained good experience in organizing coordination of production is that it did the work according to the need of the enterprises and made the best use of the situation to gradually form this coordination. But to hastily organize plants producing hand-propelled tractors into a company ran counter to the principles of voluntary

participation and mutual benefit. This measure in fact failed to make best use of the situation. This necessarily resulted in the desired speed not being achieved.

The second problem: What kind of relationship should there be between a company and its subsidiary factories?

I agree with the article by Comrade Zhuang Qidong [8369 0796 2639] and Sun Keliang [1327 0344 0081] on the investigations of the Changzhou Diesel Machinery Plant. But I want to add something to the title of their article: "A Company Must Not Deprive its Subsidiary Factories of Their Own Autonomy."

When discussing the expansion of the autonomy of enterprises, what are the enterprises then, factories or companies? When factories are integrated or merged into a company, do they still maintain their independent position? Before we deal with this question, we must first of all clarify what are enterprises. Simply speaking, enterprises are units that carry out economic activities with independent business management and independent accounting. They may engage in producing commodities and circulating them or engage in both these activities. No matter what activities they are carrying out, these enterprises are profitmaking economic organizations with independent accounting.

An administrative company without independent accounting is not an enterprise, it is just another name for an administrative organ. Since this company is not an enterprise, then it has nothing to do with autonomy. But all the factories under such a company are enterprises with their own autonomy. Therefore it is justifiable to say that "a company must not deprive its subsidiary factories of their autonomy.

If a company is not an administrative company but an enterprise with independent business and independent accounting, if it integrates production, supply, marketing, personnel administration, finance and materials and all its subsidiary factories are production units without independent accounting, and if it is responsible for all the profits or losses of these factories, then such factories are no longer enterprises. In such a situation, the so-called expansion of the autonomy of enterprises refers to the expansion of the autonomy of the company. Thus in such a situation, it is wrong to say that "a company must not deprive its subsidiary factories of their autonomy."

Another situation is: If a company is an enterprise with independent accounting but does not integrate production, supply, marketing, personnel administration, finance and materials, then it is a loosely united company; or it is a united marketing company that is responsible for the sale of products only; or a supply and marketing company that is responsible for outside business activities but whose subsidiary factories maintain independent accounting and assume sole responsibility for their profits or losses, with the company itself carrying out independent accounting with regard to its own business and also assuming sole responsibility for its profits and losses, in this case both the company and its factories are enterprises with their own autonomy. Company enterprises and factory enterprises may establish fixed relations through contracts, and under this situation, the question of deprivation of one's autonomy does not exist.

Now the question is what kinds of companies should we establish? The companies we are to establish must be formed by factory enterprises on the basis of voluntary

participation while their nature must be defined according to actual need. If the related factories need integration but not of a highly concentrated nature, it is not right to form them into a trust company that is responsible for production, supply, marketing, personnel administration, finance and materials. Integration in production, supply, marketing, personnel administration, finance and materials will bring higher economic results and better economic interests to the related factories only if the integration is carried out amid higher economic development. When this happens, partly integrated companies and loosely integrated companies will be developed into unified companies according to the needs of all the related factories.

The third problem concerns the nature of integrated enterprises and their leadership systems.

Further economic development needs specialization and integration in production. The only criterion for deciding whether it is necessary to carry out specialization and integration is economic results. Whether it is to carry out loose integration, partial integration or the complete integration of production, supply, marketing, personnel administration, finance and materials depends on which form of integration will bring the best economic results. Integration must be carried out on a voluntary and free basis, therefore such integration may override limitations as to departments, regions and ownership systems. Thus enterprises transcending professions, regions and ownership systems may be formed to touch upon some basic problems of the present economic system. Therefore this question has yet to be answered from the viewpoint of ideology and policy. Judging from the problems raised in the investigations by the textile industry bureau of Jiangsu Province, the following problems have yet to be studied:

1. How to deal with ownership by the whole people and collective ownership under the socialist system? What is the significance in differentiating between these two types of ownership? Can these two types of ownership be combined into a single public ownership to unify economic management?

2. How to correctly handle investment under the socialist system? Is it in line with socialist principles to issue dividends? If not, how can we encourage investment?

3. The present situation is that enterprises owned by the whole people are either under the leadership of the central government or of a locality. These enterprises have to turn over their profits to the central government or locality. Thus because of the management system and the relations of interests, there in fact exists "departmental ownership" and "local ownership." This situation seriously hinders free integration. Would it not be better to carry out the principles of "the system of the enterprises themselves" so as to enable economic units to get in contact with administrative organizations? With regard to the relations of interests, can we change the method of turning over profits in favor of taxation? That is to say, enterprises have to pay certain types and amounts of tax to the central government and locality. By doing so, these enterprises are independent in their business, free to integrate, assume sole responsibility for their own profits and losses, and to promote economy.

4. How to exercise the leadership of the party within socialist enterprises? The method of putting factory directors under the leadership of party committees is fraught with problems both in theory and practice. It simply does not work to integrate enterprises in different regions into a company or a joint enterprise and put them under the leadership of party organizations. Would it not be better for the party organizations to act as supervisors in factories, companies or joint enterprises to see that the state economic policies are implemented? Workers' congresses and factory directors (managers) are respectively responsible for implementing policies and controlling the management of the production of enterprises under the principles of democratic centralism.

The central government's principles of "displaying advantages, protecting competition and promoting integration" is an important strategic principle for the development of our economy. No doubt, in implementing this principle we will face new problems that have to be studied theoretically and that demand practical explanation and solution. So long as we persist in emancipating our thinking, proceed from reality and rely on the initiative and creativity of the broad masses of the people, the great Chinese people will surely be able to form a Chinese type of socialist economic system and open up the road for the realization of the Four Modernizations.

CSO: 4006

NEED TO BUILD UP SMALL TOWNS DISCUSSED

Beijing RENMIN RIBAO in Chinese 20 Oct 80 p 5

[Article by Zhang Changxing [1728 7022 5887] and Yang Ming [2799 2494]: "We Need To Give Serious Attention to Construction of Small Towns"]

[Text] The construction of small towns is an important integral part of China's socialist construction of cities. Not only does it possess important ramifications for a rational pattern in politics, the economy, and cultural education as well as for labor employment, it is also closely related to the four modernizations. We must give serious attention to the construction of small towns.

During the 30 years since liberation, the construction of urban areas in China has shown great achievements overall. Nevertheless, owing to the stress we placed on the development of large and medium-size cities, to the neglect of the construction of small towns, for a long time the overwhelming majority of small towns have remained substantially in a state of natural development. This state of affairs is not suited to the requirements of the four modernizations, and unless it is changed, it must inevitably have serious consequences for China's socialist construction. In the "Chinese Communist Party Central Committee's Decisions Pertaining to Acceleration of the Development of Agriculture," which was passed by the Fourth Plenary Session of the 11th Party Central Committee, it was pointed out: "We are determined to give the utmost attention to the strengthening of the construction of small towns and equip them through the gradual use of modern industries, communications and transportation, modern commercial and service industries, and modern educational, scientific, cultural, and health enterprises, so as to make them into advance bases for the transformation of the appearance of rural villages throughout the country." For this reason, strict control of the size of large cities and planned and active enhancement of the construction of small towns are urgent tasks confronting us.

Throughout China today, there are somewhat fewer than 200,000 small towns with populations of somewhat more than 100, and there are somewhat more than 3,200 towns that are organized as towns, or county seats not organized as towns. Additionally, there are 500,000 commune sites, most of which have incipient rural market towns. This large number of small towns is spread like the stars in the sky over 9.6 million square kilometers of the soil of the motherland.

Looked at in terms of their evolution, except for satellite towns that have grown up since liberation in some industrial and mining regions, most of these towns came into being naturally a long time ago. In the wake of the establishment of administrative divisions and the growth of agricultural, industrial, commercial, educational, and hygienic endeavors since liberation, many small towns have gradually become local centers for politics, the economy, and culture. However, because different towns started off on different footings, and because economic development since liberation has been slow in some places and rapid in others, the development of these small towns has been unbalanced.

Looked at in terms of the characteristics of small towns and some typical examples in which a good job was done in the construction of small towns, intensification of smalltown construction is a necessary trend in the development of our national economy, and objective requirement for the realization of the four modernizations, and the road that must be followed for the gradual narrowing of the gap between the cities and the countryside and between industry and agriculture. Therefore, this is a strategic program for the construction of China's cities. It occupies an important position in the construction of the four modernizations, and it has a distinctive function that large and medium-size cities cannot replace, as manifested principally in the following aspects:

1. Many small towns scattered over wide areas will help improve the distribution of industry and control the size of major cities.

China's industry currently is concentrated mainly in a few large cities. Statistics from departments concerned show that in 1978, 53 percent of all large and medium-size enterprises throughout the country were concentrated in 38 large cities. Industrial output value for these large cities amounted to 65 percent of the total industrial output value for the entire country. The output value of a single Shanghai city last year equaled the total industrial output value of nine provinces and regions in southwest and northwest China. Because of this overconcentration of industry, the population of large cities becomes inflated, creating pressures on transportation, housing shortages, inadequate water supply, serious pollution, and a series of hardships. These both impair the lives of the people in the cities and are disadvantageous to the further development of production. Over the long term, as the national economy develops further, there will have to be great growth in construction for industry and for other endeavors. If numerous additional projects are to be placed in the large cities, the already inflated large cities will inevitably suffer more lopsided development, and contradictions will become even sharper. Some may be properly placed in medium-size cities, but not too many; otherwise, they will follow the same old disastrous road of the large cities. In small towns, however, there is a vast area and all sorts of geographic conditions from which selections can be made. There is a great deal of spare land for expansion which can hold large amounts of newly built projects. Furthermore, this will permit avoidance and reduction of the various drawbacks resulting from overconcentration of industry in cities.

Small towns can also operate plants jointly with large and medium-size cities, taking on the task of distributing their products. At the present time, many smalltown industries and handicraft industries produce large quantities of items needed in the daily lives of the people in cities and countryside, and they

shoulder the tasks of large-scale foreign trade exports and the processing of incoming materials. They do this in addition to producing complete sets of spare parts and manufacturing specialized equipment for light textile industries. In this way they are able to diffuse or reduce pressures on the big cities, improve the irrational state of affairs in the pattern of industries, and accelerate the development of the entire national economy.

2. Small towns located near places that produce raw materials are helpful in taking advantage of natural resources and in broadening avenues of production.

China is a vast land with abundant natural resources. Small towns spread everywhere throughout the country can make the most of advantages and avoid disadvantages, make full use of special local conditions and, under the guidance of the unified state plan, make the most of advantages provided by local natural resources, open diverse avenues for production, go all our for comprehensive utilization, and march forward to broaden and deepen production. They can vigorously start up processing industries that use as their raw materials the local output from agriculture, forestry, livestock raising, sideline occupations, and fisheries, as well as arts and crafts and other traditional handicrafts, such as embroidery and carving that require little or no allocation of energy resources. This gradually leads to integrated development of agriculture, industry, and commerce. Smalltown industries and handicraft industries developed in this way have great vitality and competitiveness. They not only do not compete with large industry for raw materials, but they can become helpmates and assistants to large industry.

Small towns that are close to local raw materials or to places that produce fuels are helpful in teaming together production, supply, and marketing, in shortening transportation distances, in reducing quantities transported and damage to goods, and in reducing costs in accordance with rational economic principles, and they can be the recipients of quite good economic benefits.

3. Development of smalltown industries helps support agriculture and quickens the pace of agricultural modernization.

In recent years, industry in towns that are county seats--particularly the industry of communes and brigades--has developed vigorously. At the present time, 95 percent of communes nationwide operate more than 300,000 industrial enterprises of one kind or another. A major characteristic of smalltown industry is that a fairly large proportion of them are industries that support agriculture. Many small towns run farm machinery repair, chemical fertilizer, agricultural chemical, and building materials industries suited to local requirements for support of agriculture. They produce all sorts of goods to help farming, directly providing service to agricultural production and rural village construction. In Changshu County in Jiangsu Province, 240 of the smalltown industries of various kinds that serve agriculture produce more than 30 kinds of major products for farm use. Now, many of the materials used in farming are supplied substantially through local production and make a very great contribution to growth in agricultural production.

Development of smalltown industries can also enhance accumulations of regional public funds and strengthen the collective economy to provide more and more funds for agriculture. Information from Suzhou Prefecture in Jiangsu Province shows how, in the 3-year period from 1977 to 1979, commune and brigade industries throughout the prefecture provided a total of 210 million yuan of capital for agriculture, amounting to 3.2 times the state investment in this prefecture for the same 3-year period. This greatly hastened the progress of rural construction and the mechanization of agriculture.

4. Small towns are the bridges linking the exchange of materials between cities and the countryside, and they are helpful in enlivening the market and making the economy prosper.

Small towns occupy a position between large and medium-size cities and the numerous rural villages; they are a bond and a bridge that link large and medium-size cities with rural villages. A large amount of industrial goods from large and medium-size cities passes through these small towns on their way to the widely spread rural villages. Grain, cotton, edible oils, pork, and other local agricultural byproducts from rural villages also are transported through these small towns on their way to large and medium-size cities. Therefore, enhancing and making the fullest use of the role of small towns as a bond and a bridge in the exchange of goods between cities and the countryside play a major role in widening the channels for circulation and in doing a good job of commodity exchange.

Small towns also are the principal grounds for country fair trade by agricultural villages. These country fairs play a very great role in promoting the development of agricultural sideline occupations and handicraft industry production. They provide a source of supply for the commercial sector and serve in the exchange of needed goods among commune members themselves, and between commune members and the inhabitants of cities and towns. Furthermore, they regulate surplus and scarcity, are a convenience for the masses, and improve the material lives of the masses.

5. Small towns are cultural centers for rural villages and help increase the cultural and scientific levels of the masses.

Small towns virtually centralize all cultural and propaganda facilities in a local area. The building of good cultural centers for rural villages and market towns can enliven the cultural life of rural villages and lead the rural masses, particularly youths in rural villages, into proper and healthy cultural entertainment activities that increase their culture.

Additionally, some major middle and primary schools, scientific institutes (or stations), hospitals, commune hospitals, and such rural educational, scientific, and health units are also concentrated, for the most part, in small towns. Thus they play an exemplary and guiding role in the improvement of cultural and educational standards for all rural villages, in the advancement of scientific knowledge, and in the carrying out of medical diagnostic and health work.

6. Small towns possess great potential for the population and are helpful in solving the problems of excess labor.

China's rural villages now have a population of 800 million, of which 300 million make up the labor force. Currently, in some places where land is scarce but the population is large, or where the degree of mechanization of agriculture is higher than elsewhere, the problem of excess labor has appeared. In the future, this problem will stare us in the face with greater and greater intensity. Authorities concerned estimate that by the end of this century, there will be a surplus agricultural labor force numbering more than 100 million people. Such a large surplus labor force cannot and must not go into the existing large and medium-size cities. But large numbers of small towns with populations of 50,000 to 60,000 can take large numbers of the labor force. Consequently, development and construction of small towns constitute a major solution to the problem of excess labor. If, over the next 20 years, each small town in the country gradually absorbs an average of 2,000 people, this more than 100 million surplus labor force in the rural villages can be provided for on the spot.

To sum up the foregoing, small towns offer many advantages, and consequently the planned active development and construction of small towns should arouse in us a high degree of serious interest. On the basis of past experience and problems currently existing in the construction of small towns, we feel that getting on with the construction of small towns will require emphatic attention to the following several tasks.

First, there must be a unified plan for the development of small towns. The growth of small towns will be decided principally by the growth of their productivity, and the active development of county and commune (or market town) industries is a major way to develop the productivity of small towns. A large amount of facts from numerous advanced regions shows that once there is industrial growth, a foundation exists for the building of small towns, and that businesses, service industries, cultural, educational, health, and other endeavors will show commensurate growth in their wake, not only enriching the economic and cultural content of small towns but also enhancing the economic strength of the towns themselves for their own construction. Therefore, in drawing up long-range state economic plans, every jurisdiction should work out a sensible pattern for production forces on the basis of natural and economic conditions locally, making the planned development of county and commune (market town) industries a major part of them. Every large or medium-size city should plan, on the basis of rational economic principles and requirements for the "promotion of integration," for some processing industries, particularly agricultural sideline product processing industries, and industries that directly serve agriculture, to be dispersed or transferred to rural villages to make fullest use of the advantages that rural villages offer, and to carry out integrated enterprises in small towns, teaming up urban industries with industries in rural villages.

Second, there is a need for the formulation of specific policies and measures for the encouragement of the growth of small towns. For example, there is a need to actively support collective enterprises in small towns, to respect their autonomy, to guarantee their economic welfare, and not to practice egalitarianism or indiscriminate transfer of resources. Some jurisdictions pile tax upon tax onto collective industrial plants with high output value and large profits. This can stifle the initiative of small towns in undertaking collective enterprises. Additionally, sensible tax revenue policies must be formulated that will help

them accumulate capital to further expand production. Furthermore, there is a need to formulate policies and necessary measures that will encourage the people in large cities, and particularly the educated youths and scientists and technicians among them, to voluntarily support the building of small towns.

Third, sources of capital for the construction of small towns must be made available. Currently, with the exception of a small number of county market towns and industrial and mining areas where industries are fairly concentrated and fees are collected for the support of small towns, other small towns in rural areas have no channels for construction and maintenance. The state cannot be relied upon to allocate funds for use by these small towns as construction capital. Mostly, they will have to rely on themselves for the arduous development of industries, but they have to have a way of doing it. For example, consideration can be given to having each new enterprise operating in small towns in the future to make arrangements for certain expenditures to be used for the construction of public utilities in the town. From the profits retained by enterprises operated above the county level, and from the profits of enterprises run by communes and market towns, there should be separately stipulated proportions used for the construction of public utilities. As the economy grows and earnings increase, local public finance units should also gradually increase disbursements of construction funds for small towns. Departments concerned should also make every effort to include in their plans the materials required for smalltown construction and to make arrangements for this.

Fourth, the leadership and management of smalltown tasks should be strengthened. In many places, the attitude toward smalltown work has for a long time been: "The province doesn't bother; the prefectures give it no place; and the counties are unable to care." CCP committees and the government at every echelon must fully realize the position and function of small towns, give serious attention to and strengthen work in this regard, and really place it on their agenda. They should diligently undertake investigation and study in order to clarify the current situation and problems existing in smalltown construction, summarize both the negative and positive experiences of the past 30 years, and study ways to find solutions.

9432
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PRC ECONOMIC JOURNAL DISCUSSES PLANNED, MARKET ADJUSTMENT

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[Article by Liu Guoguang [0491 0948 0342] of the Economic Research Institute of the Chinese Academy of Social Sciences: "A Brief Discussion on Problems of Planned Adjustment and Market Adjustment"]

[Text] I. Market Adjustment is not an Expedient Measure

Since the Third Plenary Session of the Party Central Committee, many localities and departments have conscientiously implemented the instructional principle of the Party Central Committee of working according to economic laws. They have preliminarily reformed the economic system. One important reform is to adopt market adjustment in the production and circulation of some products. In conjunction with other reforms such as expanding the power of the enterprises to act on their own, this reform has begun to play an important role in enlivening our economy.

Actually, market activities should not have been a new phenomenon. Because state planning cannot be all-embracing, over the past years the production and circulation of some products should not have been completely planned directly by the state, but should have been partially conducted by the enterprises through various forms of purchasing and selling activities in the market, outside the scope of planning. However, because of ideological and theoretical taboos, such partial "market adjustment" never gained a legal status in the socialist economy, the overall economic activities were restricted by the rules of traditional, simplistic planned adjustment and bureaucracy gradually grew in economic life. Consequently our economic system gradually became rigid and its various links lacked vitality. In spring last year, our economic theorists began to break through some forbidden areas and the following principle for practical work was put forward: Integrating planned adjustment with market adjustment, putting market adjustment first and paying attention to fully bringing the role of market adjustment into play. Subsequently, market adjustment activities enjoyed new developments. Over the past year or so, we began to leave some gaps in the systems of planned distribution (of the means of production) and state monopoly for purchase and marketing (of the means of livelihood). We began to consciously exploit the adjustment function of the market mechanism in circulation and production.

Aside from making up for the inadequacy in the planned tasks for certain products in national economic readjustment, the most important positive result of developing market adjustment activities is that the situation of disparity between output and

demand, which has been impossible to resolve for a long time, has begun to change. In the past, such systems as production by command, planned distribution and state monopoly for purchase and marketing weakened or even severed the horizontal link between the productive enterprises and the consumers in the market. On one hand, the products produced were greatly overstocked, and on the other hand, the products needed by society were in short supply. Enormous waste in the national economy resulted. With the development of market adjustment, the disparity between output and demand begins to diminish. Moreover, the appearance of competition exerts an external pressure on the enterprises and the internal motive force generated by expanding the enterprises' power to act on their own force fully promotes improvements in their management. Therefore, some gratifying progress has been achieved in raising product quality, increasing product varieties, lowering costs and consumption, improving the standard of service and so on. Gone is the old situation in which some vigor in the economy would temporarily occur only with the promotion by an administrative call or would even not occur with such promotion. A new situation has just begun to appear. The results of market adjustment will be more prominent when it develops further.

Market adjustment has appeared in our country's economic arena with a legal status, and this is a new thing breaking the old rules which dominated the economy for years. It has not been greeted with applause from all quarters, but has been viewed with some doubt and hesitation among the applause. Some people have gotten used to the old way whereby the enterprises worked according to orders from higher levels. Now that they are not assigned planned tasks and the enterprises are allowed to seek opportunities in the market, they naturally feel uncomfortable. They say: "We have worked in the factory for 30 years but have never heard that the factory must look for work to do by itself." Some people think that having some market adjustment is an "expedient measure" which must be taken during the national economic readjustment period to make up for the inadequacy in the planned tasks. They hope that after they have tolerated it for several years, market adjustment will be abolished when economic readjustment is accomplished and planned tasks become adequate. Some other people find that during the process of market adjustment and competition, various industries or enterprises differ vastly in their reinvested profits and their achievements, that some localities and departments adopt certain obstructionist measures to protect their own local or departmental interests, that certain irrational redundant production or construction has developed, that some enterprises practice technological obstruction to maintain their own position in competition, that certain unhealthy practices have appeared in competition and so on. Therefore, they think that market adjustment, in particular competition, "causes waste and anarchy." (See "JINGJI KEXUE," ["ECONOMIC SCIENCE"] No 1, 1980, p 78) They hope to go back to the old days soon and abolish market adjustment.

Admittedly, these phenomena do exist in practicing market adjustment. However, they are not inevitable results of market adjustment. Many of them existed before market adjustment. The main cause of these problems is that the old economic systems, characterized mainly by departmental and regional administrative management, and in particular the irrational pricing system, have not changed radically, so that there are contradictions between them and the new reforms, and in addition the work of directing the reforms has not kept pace with developments. These problems are those which occur during an advance. If we push various items of reform forward step by step and strengthen the direction on the basis of summarized experience, the problems will not be difficult to solve.

Therefore, various worries about market adjustment are unnecessary. The practice of preliminary reforms has proved that despite various problems, market adjustment under planned direction is markedly superior to pure planned adjustment by command. Take for example the production and circulation of machinery and generators. In the sector that practices market adjustment, because production is more satisfactorily linked to demand, basically there has been no problem of being unable to sell the products or of substantial overstocking. (On the contrary, market adjustment has helped eliminate the overstocking caused by the original planned adjustment by command.) The contracts involving supply of goods have also been relatively satisfactorily fulfilled. However, according to statistics for the first half of this year, there has been an increasing overstocking of many items of machinery and generators whose production and distribution are still state-planned, and the fulfillment of contracts involving supplies of such goods has been less satisfactory than the fulfillment of contracts by enterprises selling on their own behalf. If we give up market adjustment and revert to the old road of pure planned adjustment, then for a long time we will be unable to solve the problem of the enormous waste of human and financial resources due to the disparity between output and demand and the accompanying low efficiency. Then, the progress of our country's modernization will be greatly hindered. Therefore, the principle of developing market adjustment and combining planned adjustment with market adjustment is definitely not just an expedient measure for the period of readjustment. It should be a very important component in the reform of our system in the future as well as a principle to be permanently adhered to. In the final analysis, this results from the fact that the socialist economy at the present stage is not only a planned economy but also possesses the characteristics of a commodity economy.

II. There Must be a Buyers Market

How can we enable market adjustment not only to play its role during the readjustment period but also to become an inseparable part of our new economic system for a relatively long time in the future? Judging from the experiences of preliminary reforms, practicing market adjustment necessitates certain ideological and material conditions. Market adjustment cannot develop smoothly if a series of ideological forbidden areas are not broken through, such as the traditional concepts that the means of production are not commodities, the law of value does not play an adjusting role, planning and market forces are mutually exclusive and so on. To conquer the forces of habit, eliminate all sorts of worries and further develop market adjustment under the guidance of planning, we must, for one thing, continue to study in depth the theoretical problems about planning and market forces in a socialist economy, incorporate the practice of successful reforms into this theoretical basis and conduct convincing propaganda and inculcation on a wide scale.

For another thing, the experiences from the reforms over the past year or so tell us that it is very difficult to develop market adjustment if we ignore comprehensive equilibrium, if we do not leave margins in our planning and if economic life continues to suffer from shortages. Let us now examine the relevant realities.

Against what economic background has the current market adjustment developed in certain industries? In simple words, it has developed against the background that planned tasks have been inadequate during the national economic readjustment. Take again the example of the machine building and electric power machinery industries.

Because the principle of readjustment was implemented, in 1979 these industries were faced with the situation in which the state planned tasks were drastically reduced, many consumers returned goods to them and many of their enterprises seriously lacked tasks. They could only look to the market for tasks and thus quickly altered the situation wherein their products could not be sold and their tasks were inadequate. Many products satisfied the market demand and their output was quickly boosted. Consider the Sichuan Ningjiang Machine Tool Factory, whose capacity for producing lathes for instruments is 500 sets annually. Last year the state planned tasks amounted to only 260 sets. The factory freed itself from old ideas and boldly launched market activities on its own initiative. As a result, its output last year was more than 600 sets. Aside from the machine building and electric power machinery industries, some other industries which expanded their business through purchasing and selling activities in the market had similar experiences. Take for example the textile industry. Early in 1979, the textile enterprises in many localities suffered from overstocking of products, decreasing commercial purchases and shortages of funds. Many enterprises stopped working or cut production. Output fell. Later various forms of "market adjustment" were carried out and the situation of enterprises stopping or cutting production was ameliorated. Another example is the metallurgical industry. In the past, steel had always been the kind of material the purchase and marketing of which was monopolized by the state. Now some steel has been sold in the market, because the state plans could not distribute all the steel and the commodity departments did not purchase all, so that the enterprises were forced to seek outlets themselves. Thus, the monopoly by the commodity departments was broken and both the supply and marketing of certain varieties of steel became brisk.

What the above examples have in common is that market adjustment in all these industries has been "forced into existence" by the national economic readjustment. Such readjustment is mainly aimed at solving the problem of grave disproportion. To achieve this, we must lower the speeds which had been unrealistically high in the past and reduce society's demand, formerly hinged on capital construction investment. Thus, some industries and enterprises find their products in excess supply and have excess productive capacity due to the reduction in social demand, and they are forced to seek outlets in the market aside from fulfilling planned tasks. Otherwise, not only will their retained profits be affected, but they may be unable to pay wages and to cope with the new situation of the experimental expansion of the enterprises' power to act on their own. This happens to create a favorable condition for developing market adjustment. This situation inspires us to persist in market adjustment. Not only during the readjustment period, but also in our future, long term planning and balancing work, we must pay attention not to set unrealistically high targets, leave various gaps in the national economy or subject various relationships to great strain. We must work according to our capabilities and leave margins and reserves so that the national economy can advance steadily in a relatively relaxed state.

Not long ago, a foreign economist who studies economic reforms in various Eastern European countries came to visit our country. He said that decentralizing reforms of the economic system are incompatible with an economy plagued by shortages; that is, when the economy is suffering from shortages decentralizing reforms of the system cannot be achieved, because the more serious the shortages, the more readily discernible will be the weak links in the national economy. When weak links appear,

the state would often be forced to adopt the means of administrative intervention to solve the problems. Thus, the decentralizing reforms of the economy will develop in the opposite direction, forming a vicious circle. I think that this analysis is reasonably tenable. It is a decentralizing reform to convert a system of pure planned adjustment into one embodying a combination of planning and market forces. In a system of pure planned adjustment, various economic activities are basically determined by the state. When the element of market adjustment is introduced, some power to make economic decisions must be appropriately transferred to many enterprises and individual workers. However, this is difficult to practice when the national economy is in disequilibrium and the supply of various products falls short of the demand for them, because then the state must apply the limited funds and materials resources to the key sectors of items (that is, the weak links) and must distribute them in unified quotas according to the orders of priority. Thus, the state cannot relax production by command, monopolizing purchases and marketing, planned allocation and other systems. It also cannot relax the planned control over the prices of the means of livelihood and means of production so as to allow enterprises and individuals to make their own choices in the market. Consequently the functioning of the market mechanism will be greatly restricted and market adjustment cannot work fully. Moreover, in an economy where supply falls short of demand, the market can only be dominated by the suppliers or sellers. The consumers or sellers have no power and can only subordinate themselves to the power of the suppliers or sellers. Thus, the suppliers may disregard the consumers' demand and care nothing about product quality, product variety, the standard of service and so on, because they need not worry about insufficient buyers for their goods. As the saying goes: "A princess has no worry about getting someone to be married to." Under this condition, there cannot be any competition among the sellers, which is necessary for practicing normal market adjustment. Such normal competition among sellers can only appear when supply exceeds demand, so that the market is not dominated by the sellers and the buyers can exercise their due consumer sovereignty.

Thus, a prerequisite for developing normal market adjustment is to let social production exceed society's immediate needs so that the supply of commodities exceeds the demand backed by real purchasing power and that a consumers' or buyers' market can be established. Of course, the "buyers' market" we need is a limited one, because the excess of output over immediate needs and the excess of supply over demand cannot exceed a certain limit, just as there is a limit for anything. This limit is determined by the ability to insure the appearance of the necessary competition among the sellers and the formation of a reasonable quantity of social reserves. Surplus output in excess of this limit will also result in waste. Therefore, this slight excess of output over immediate needs is basically different from the crisis of overproduction in a capitalist economy, caused by inadequate purchasing power. The principle of having output slightly exceeding immediate needs and supply slightly exceeding demand not only applies to the market adjustment in the production and circulation of individual products, but is even more essential to the whole national economy. Only when the aggregate supply of social commodities slightly exceeds the aggregate demand can a limited buyers' market appear within the scope of the national economy so that a good condition is created for practicing the integration of market adjustment with planned adjustment. This can only be achieved through controlling the purchasing power formed by accumulation and consumption so that it is slightly smaller than and not larger than the national output. This is the prime problem to be solved by the state's macroeconomic policy and the comprehensive equilibrium

in national economic planning. Suppose we do not do this, but as in the past, always overly expand the scale of capital construction investment and the extent of our fronts, so that via a series of chain reactions society's aggregate demand greatly exceeds the aggregate supply of social commodities and a vast gap between the production and use of national income appears. Then, we cannot have the necessary limited buyers' market and market adjustment cannot develop normally. Therefore, always paying attention to leaving margins in the rate of national economic development and keeping reserves in national economic development and keeping reserves in national economic planning is extremely important to developing market adjustment and enlivening the economy. Thus, normal market adjustment in a socialist economy cannot only exist independently of the restrictions of national macroeconomic planning, but presupposes a correct macroeconomic policy and comprehensive equilibrium in national economic planning.

III. Slabs? Premeation? Colloid?

When the economics circles discussed the law of value last year, an important achievement was that they relatively thoroughly discarded the old concept of viewing planning and market forces as mutually repelling and incompatible. They unanimously believed that the two things can be integrated in a socialist economy. However, what is the nature of their integration? Is it like putting slabs together or in the form of mutual premeation ("each one existing in the other")? People did not have the same understanding. After the discussion, most comrades seemed to have accepted the viewpoint that the two kinds of adjustment should be integrated in the form of mutual permeation. I also stick firmly to this viewpoint. This question seems to be a trivial argument about a concept. However, it is actually closely related to understanding the process of reforming our country's economic system and closely related to the proposed models of reform. I think it is necessary to discuss it further.

I still believe that as a model of reforming our country's economic system, the relationship between planned and market adjustment should not be integration "in the form of slabs" but should be a relationship of mutual premeation. However, it is not enough to stop here. We must analyze this proposition further, because there may be two kinds of mutual permeation. First, the entire national economy is divided into two parts (or two blocks), one being the domain of planned adjustment and the other the domain of market adjustment. Each part is permeated by an element of the other kind of adjustment. Second, the whole national economy is not divided into two blocks, and planned adjustment and market adjustment fuse into a single entity, each permeating the other in a unified colloid [term as published]. How should we view these two kinds of mutual permeation? Which model should we adopt in reforming our system?

Judging from the practice of reforming our system over the past 2 years, the process of developing market adjustment often starts with breaking the control of pure planned adjustment and the appearance of a block of "market adjustment" beside planned adjustment by command. Such integration "in the form of slabs" of planned and market adjustment is still temporarily an undeniable objective necessity. It is even progress compared with the former pure planned adjustment which excluded the market mechanism. For example, over the past year or so, the means of production have started to break the restriction which excluded them from the category of commodities and have gradually entered the market. This is important progress. That portion of the enterprises'

production or marketing activities arranged by themselves according to the needs of the market is called "market adjustment." That portion of production, purchases or distribution still commanded by the state's planned targets is called "planned adjustment." People use percentages to indicate how these two kinds of adjustment are integrated. For example, we may say that in the total value of the industrial output of Jiangsu Province last year, market adjustment accounted for 40 percent and planned adjustment 60 percent. Here "market adjustment" refers to that portion of the output produced or marketed by the enterprises themselves in various ways. "Planned adjustment" refers to the tasks assigned by state command and planning. This is a clear example of integrating planned adjustment with market adjustment "in the form of slabs."

The integration of planned adjustment with market adjustment in the above sense, namely "in the form of slabs," is an external integration within the national economic aggregate. Of course, such external integration alone is inadequate. They must also integrate internally, namely, in the form of mutual permeation. In view of certain undesirable phenomena, such as blindness, occurring in the portion already practicing market adjustment, the state should strengthen its noncommanding planning guidance and consciously adopt various economic means to adjust such phenomena. That is, the element of planned adjustment must permeate through the block of market adjustment, so that market adjustment will be compatible with the requirements of macroeconomic state planning. On the other hand, in that block still commanded by state planning, the defects such as the disparity between production and marketing must also be adjusted by more intensively using value levers such as pricing, taxation, loans and so on. Then the element of market adjustment can gradually permeate through the block of planned adjustment. Moreover, directive planning can gradually change into planning which provides guidance or reference, so that the share of market adjustment integrated into planned adjustment can expand. Therefore, within the national economic entity, the two kinds of adjustment permeate each other within both blocks, each of which represents one kind of adjustment. When the scope of directive planning continues to diminish and the scope of nondirective planning guidance and the scope of using value levers for adjustment continue to expand, a unified colloid will finally be formed which fully utilizes the market mechanism under the guidance of nondirective state planning or social planning, and which closely integrates planned adjustment with market adjustment.

Thus, we can also discover that the integration and permeation of planned and market adjustment "in the form of slabs" is a transitional phenomenon in reforming the system. The two kinds of adjustment cannot permanently coexist in the form of integrated slabs. That is to say, such integration is not the model we want to establish in reforming the system. Let us admit that the socialist economy is a commodity economy, and believe that both the means of production and the means of subsistence must be taken as commodities in their production and circulation. Then an inevitable conclusion is that we cannot always let only part of the products be produced and circulated as commodities, which are adjusted by the market mechanism, while refusing to take the rest of the products as commodities in producing and circulating them, so that they can only be adjusted by directive planning. That is, we cannot let these two slabs coexist permanently, because this is illogical. The only logical conclusion is that the production and circulation of all products must follow the principles of the socialist commodity economy and satisfy the requirements of the socialist planned economy, and must ultimately be unified in the colloid which

integrates the two kinds of adjustment, subjected to market adjustment under the guidance of nondirective state planning. I believe that this alone is the model we must establish in reforming the economic system in the future.

It is a matter of direction and principle to change directive planning into indicative planning and to practice market adjustment under the guidance of state planning within the scope of the entire national economy. After reforming our system, the new economic adjustment system formed will naturally be more complicated than what is described above. It will be inappropriate to abruptly abolish directive planning for some important products which are essential to the national economy and the people's livelihood, and the supply of which cannot be quickly increased to eliminate the excess demand. The directive planning for such products can only be abolished gradually when conditions become ripe. Even if overall reform is accomplished, under special conditions the production and circulation of individual products may have to be directly adjusted by directive planning if necessary. In particular, under certain conditions of emergency, direct adjustment by directive planning is quicker than adjustment through the market mechanism and can be conveniently manipulated by the state. Such coercive means cannot be completely discarded. On the other hand, there may exist free markets outside the scope of what is guided by state planning, such as market fairs in the countryside and towns. However, as exceptions to the rule, directive planning will be limited to temporary use on certain individual occasions and free markets will only exist in the crevices of the unified colloid mentioned above. The most massive and important part of economic life will be market adjustment guided by planning.

Thus, after overall reform is accomplished, our adjustment system will embody the following three things. The first is market adjustment guided by planning. This will be on a large scale and will be the mainstream. The second is planned adjustment in the form of command. This is exceptional and transitional. Every time this means of administrative command is used, it is necessitated by some political and economic situation, and when such situation vanishes, such planned adjustment in the form of command should change over to the road of market adjustment guided by nondirective planning. The third thing is adjustment by the free market. This is on a small scale. Some comrades believe that the criterion for distinguishing between these three kinds of adjustment is whether the law of value and the economic levers involving the category of value are consciously used. They believe that the characteristic of consciously using the law of value for adjustment is present only in the system of market adjustment guided by planning, and that this characteristic is absent in both adjustment by directive planning and adjustment by the free market. This view is incorrect, because in the future, even on the rare occasions where directive planning is adopted, we must also not neglect the law of value and we must combine planning with such means of adjustment as pricing, taxation and loans. On the other hand, the so-called free markets cannot be completely free from the influence of state economic policy and planned adjustment. In a socialist economy, an absolutely free market is nonexistent. I think that the three kinds of adjustment differ in the means of organizing the adjustment. The first kind of adjustment, namely market adjustment guided by planning, involves not only the conscious use of the law of value and the economic levers related to the category of value, but also a process of planned coordination, consultation and agreement. This process involves economic management agencies and social coordinating agencies at various levels as well as economic conglomerates and grassroots economic units

of various forms. In accordance with the requirements of macroeconomic state planning, they must achieve coordination and equilibrium at each level, working from lower levels upward to higher levels, and all levels having to combine together. The second kind of adjustment, namely direct adjustment via directive planning, practiced on rare occasions, involves administrative orders which assign tasks to lower levels and which may be augmented by economic means. However, such adjustment does not necessarily involve the process of coordination, consultation and agreement. The third kind of adjustment, namely adjustment by the free market, does not involve such organized and planned coordination at all.

IV. Should Planned Adjustment be the Principal Kind of Adjustment?

Should planned adjustment be the principal thing in the combination of planned and market adjustment? Some comrades disagree with this way of putting things. They say that this will lead us into "the theory of slabs," because this suggests that the two kinds of adjustment are not integrated internally but can be separated.

Actually, "the theory of slabs" proposes that adjustment by directive planning and market adjustment guided by nondirective planning will permanently coexist, such coexistence being the ultimate model for reforming our system. The error of this concept has been mentioned. However, when we say that the integration of the two kinds of adjustment "in the form of slabs" cannot be our ultimate model for reforming the system, we do not mean that objectively the two kinds of adjustment cannot coexist during the reform process. Of course, each kind of adjustment, when coexisting with the other, will be permeated by an element of the other. If objectively integration "in the form of slabs" undeniably exists during the reform process, then we need not refuse to discuss which should be the principal kind of adjustment for fear of being led into "the theory of slabs." Moreover, even if integration is not "in the form of slabs" but is an integration in other forms involving the unity of opposites, there is always the question of which one will be the principal side in the entity.

I believe that in the current process of developing market adjustment, to put forward integrating the two kinds of adjustment and taking planned adjustment as the principal kind merely reflects the actual situation and objective needs of the reform of our system. If has been said that along with the gradual implementation of reform, planning in the form of command issued by the state to lower levels will gradually decrease. However, at the present stage, the production and circulation of a substantial portion of important products must still be directly controlled by the state via assigning planned targets to the lower levels. In social production, the share of the portion adjusted by the market (that is, the portion whose production and marketing is arranged by the enterprises themselves according to market demand) is still small. According to a preliminary estimate made in the first half of this year, the portion of this year's total value of national industrial output, created through market adjustment, amounts to only 15 percent. That is to say, over four fifths of the value of industrial output is still directly planned by the state. Therefore, to say "taking planned adjustment as the principal kind" merely reflects the current reality. Suppose in the future the scope of directive planning gradually diminishes, let us say to below 50 percent of the total output value. Even so, for a period of time the most important portion of the most important products affecting the national economy and the people's livelihood will be directly adjusted by directive

planning. The state's direct planning of and control over the production and circulation of such products will considerably affect the overall economic development. Therefore, such planned adjustment will still play a leading role in the whole national economy.

However, suppose we are talking not about the situation during the reform process, but about the model of the new economic system after reform is complete. Then, we must further study the idea of "taking planned adjustment as the principal kind of adjustment" in the combination of the two kinds. If what we call "taking planned adjustment as the principal thing" still refers to direct adjustment via directive planning, then along with the transition from directive planning to guiding planning within the scope of the national economy, there cannot be any more "taking planned adjustment as the principal thing" in the above sense. This is because in the entire national economic adjustment system, the directive planning necessary for individual occasions will not play a decisive and leading role.

Leaving alone the question of directive planning, should we take planned adjustment as the principal thing in the new system in which planned adjustment and market adjustment are closely integrated into a unified colloid? There is no simple answer to this question. Last year, we analyzed this question in an article. (See Liu Guoguang and Zhao Renwei: "Several Questions on the Relationship Between Planning and the Market," HONGQI, No 9, 1979) The main idea is that both planned adjustment and market adjustment must reflect the requirements of objective laws in the socialist economy in adjusting the equilibrium between output and needs, so that social labor (living labor and materialized labor) can be rationally and efficiently used according to the proportions of social needs. Judging from this point, both market adjustment and planned adjustment are consistent. If we consider their consistency alone, there is no question which is the principal one. However, objectively there are contradictions between these two kinds of adjustment, because in a socialist society the objective basis for practicing the planned economy differs from that for the existence of the market mechanism. The objective basis for the socialist planned economy is that people have identical, basic interests, on the basis that the means of production are publicly owned. However, the objective basis for the market mechanism is that in the state of socialism people have different economic interests. Under general conditions, the policies in state planning emphasize the problems from the macroeconomic viewpoint and from the viewpoint of society's overall and long term interests. However, the choices of individual commodity producers and consumers in the market are often limited to a microeconomic scope, with special attention to partial and immediate interests. The market activities of these commodity producers and consumers, determined according to their own interests and preferences, as well as the distribution and utilization of human, financial and material resources, resulting from their decisions and actions, may not all be compatible with society's overall interests and may all be economically rational. The unity of and contradictions between market adjustment and planned adjustment actually reflects the unity of and contradictions between the partial interests of enterprises and individuals and the overall interests of society and the country. When contradictions arise between these two kinds of interests, partial and immediate interests must be subordinate to the overall and long term interests, and correspondingly, market adjustment must be subordinate to planned adjustment. In this sense, we must take planned adjustment as the principal kind of adjustment and simultaneously fully bring the role of the market mechanism into play when we practice the system of integrating planned adjustment with market adjustment.

Some comrades completely negate the way of putting things in the idea: "Taking planned adjustment as the principal thing." First, they do not perceive that the transition from the integration of the two kinds of adjustment "in the form of slabs" to their integration "in the form of a unified colloid" is an objective and inevitable process. Second, they can perceive only the consistency of but not the contradictions between the two kinds of adjustment. This situation is in line with their understanding of the nature of the socialist economy and economic laws. Among the comrades holding such a viewpoint, some only agree that the socialist economy is a commodity economy but avoid admitting that it is also a planned economy, or relegate planned development to an attribute of the socialist commodity economy. Some comrades treat planned adjustment as similar to market adjustment and simplify it as a mode of expression of adjustment according to the law of value. However, I think that whether the socialist economy is a planned economy is a major question of principle we cannot evade. The socialist public ownership results in identical interests for all, and this is the foundation on which the planned economy is built. Though not yet perfect, the planned economy is the basic characteristic distinguishing the socialist economy from the capitalist economy. This is undeniable. Moreover, planned adjustment also cannot be simply summarized as a mode of expression of the adjustment according to the law of value (despite the qualification: "Consciously used by the state"). We know that market adjustment is genuinely adjustment according to the law of value. When the individual commodity producers and consumers choose their own actions in the market according to the requirements of the law of value, they mainly consider their own immediate interests without caring about the effects of their choices on the overall long term interests. Probably none of us here will explicitly advocate entrusting the overall long term interests to the "invisible hand." When the state or society adjusts economic life in a planned way, it also cannot merely "imitate" the movements of that "invisible hand," that is, merely consciously using the law of value. It should also consider the requirements of the basic economic law of socialist and other objective laws, guiding economic development into the socialist road and direction. It must be known that although the law of value is an extremely important one meriting our great attention, it is nevertheless not the sole adjusting agent in socialist economic development. We cannot rely on it alone to insure the socialist road and direction.

V. Compatibility of Macroeconomic Policies with Microeconomic Activities

It has been said that in planned adjustment problems are generally considered from the macroeconomic viewpoint and from the interests of overall national economic development, but when enterprises and workers choose their own targets and modes of action in the market according to market conditions and changes in the demand-supply relationship, they generally consider their own biased interests. How can the intention of the state's macroeconomic policies, embodies in medium and long term plans, be put into effect in the enterprises' and individuals' microeconomic activities, and how can the former be tested and corrected by the latter? This is the key problem in integrating planned adjustment with market adjustment.

When discussing this problem recently, some comrades listed a wide range of ways of linking up macroeconomic policies and microeconomic activities, such as controlling principal material resources, major projects and the scale of capital construction investment, using such economic levers as pricing, taxation and loans, establishing information and forecast systems, economic legislation and judicature, social

supervision systems and so on. These are naturally very important matters. However, it is not clear which of them is the most important channel for linking up macroeconomic policies and microeconomic activities. When summarizing the integration of the two kinds of adjustment as practicing adjustment by consciously using the law of value, some other comrades are in effect saying that consciously using those economic levers related to the category of value (such as pricing, taxation, loans and wages) is the most essential channel for linking up macroeconomic policies and microeconomic activities. This view deserves great attention, because consciously using the law of value for adjustment not only embodies planned adjustment (because of the factor of consciousness) but also embodies the element of market adjustment (because of the adjustment according to the law of value). However, I feel that this view is still inadequate, because it neglects an important aspect of socialist economic adjustment, namely the organizational means of adjustment. As stated before, one very important criterion that distinguishes the adjustment mechanism incorporating planned and market adjustment from adjustment by directive planning or adjustment by the free market is that the former necessitates a process of organized planned coordination, but the latter two do not involve such a process. I think that organized planning, coordination and consciously using value levers are the two most important channels linking up the state's macroeconomic policies, embodies in medium and long term planning, and the enterprises' and individuals' microeconomic activities in the market. Through these two channels, the intention of the state's macroeconomic policies is put into effect in the enterprises' and individuals' microeconomic activities and are tested and corrected by the latter.

As mentioned before, the job of planned coordination is mainly to work from lower to higher levels and upward to even higher levels, integrate higher levels with lower levels and achieving equilibrium at each level. Between the enterprises and between or within various forms of economic conglomerates, problems of equilibrium between demand and supply, combining funds or cooperation in working may be solved via horizontal market links or through agreements. If so, the enterprises or conglomerates should be free to solve the problems themselves by signing agreements or contracts themselves without presenting the problems to higher levels for solution, under the constraint that they do not obstruct the realization of the state's macroeconomic policies. Only those problems impossible to solve at the lower levels should be passed up to official coordinating agencies and economic management agencies for solution and attainment of equilibrium. Of course, in medium and long term planning, certain important tasks and items of development affecting the overall national economic development should be assigned from the top to lower levels and implemented in the form of consultation, agreement and coordination. Thus, the grassroots enterprises can be freed from unnecessary administrative interference from higher levels, and the state's leading economic agencies can free themselves from tedious administrative work and devote their efforts to studying and formulating principles and policies as well as studying solutions to strategic problems in economic development.

Consciously using various value levers in addition to planned coordination is also an extremely important channel which links up the state's planned macroeconomic targets and the enterprises' and individuals' economic activities. The state must flexibly and effectively control prices, wages, taxes and interest rates. Through these "parameters," the state should influence the enterprises' and individuals' economic activities, bringing them in line with the requirements of the state's

macroeconomic policies. In particular, suppose rather serious contradictions occur between the state's macroeconomic planned targets and the economic choices of grassroots units or individuals, during the process of achieving equilibrium at each level with the lower levels first or implementing planned coordination at each level with the top levels first. Then, it is even more necessary to effect coordination through varying these "parameters" and readjusting the relations involving the interests of various parties, or to amend the targets of macroeconomic state planning, bringing them in line with the reality. If there is planned coordination alone while the value levers are not consciously used, and the relations involving the interests of various parties are not readjusted, then planned coordination will become empty talk. On the other hand, if we merely exercise some control over the economic parameters without conducting organized planned coordination, then our work will not be significantly different from state intervention in economic activities in capitalist countries, or significantly different from adjustment by the free market (because the free market is affected by state economic policies but does not practice organized planned coordination). Therefore, both organized planned coordination and the conscious use of value levers are most important to linking up the state's macroeconomic policies and the enterprises' and individuals' microeconomic activities, and to integrating planned adjustment with market adjustment. Of course, this does not imply that other means are unimportant. Systems and measures such as economic legislation and judicature, information and forecast systems, social supervision agencies and so on should also be established or undertaken simultaneously as far as possible. They should be combined into a complete set. Then reforming the economic system can be successful.

To do a good job of planned coordination and use the value levers well, we must study and solve many problems about such coordination and levers. However, the overall prerequisite is to have a medium or long term plan which embodies scientificially worked out comprehensive equilibrium and which leaves room for maneuver. In the process of practicing planned coordination or using economic levers for adjustment, the state should not and will be unable to take up all tasks, whether huge or minor. Its attention should be focused on macroeconomic problems embodied in medium and long term plans, such as the direction of development and growth rate of the national economy, the distribution of national income between accumulation and consumption, the scale of investment and the main direction of distribution, the composition of major industries, the composition of income and so on. If the medium and long term plans themselves are not based on adequate scientific reasoning or data, if various macroeconomic policies contradict themselves, or if the overall national economy is in disequilibrium, then we will not be able to correct or remedy the situation simply by liking for methods of solving partial problems, and all kinds of planned coordination, value levers or other market means will be useless. On the contrary, if the overall national economy is in equilibrium as a result of good macroeconomic planning, then no great confusion will occur no matter how the enthusiasm of part is brought into play. If in addition we satisfactorily employ such means as planned coordination and economic levers, we can achieve vigor without confusion and control without rigidity. A key problem here is, as mentioned before, to plan the scale and proportions of accumulation and consumption well, to meticulously control the growth of purchasing power in both investment and consumption, so that it will be slightly smaller than the national income growth rate, and to maintain equilibrium in the four major areas of finance, loans, material resources and foreign exchange. Then, a consumers' market or a limited buyers' market, as

mentioned above, will always exist in the national economy. This is the key principle which provides a framework capable of containing any changes. If we can master this principle well, then no matter with what vigor or in what directions the enterprises and individuals carry out their activities, we need not worry about the results. Their activities will not break through our framework.

Of course, it is a very complicated problem to master well the scale and proportions of accumulation and consumption and to satisfactorily control the growth in the purchasing power which is the sum of investment and consumption. Some economists say that a highly centralized economic system is vulnerable to high accumulation rate, excess investment and various accompanying evils. However, we find that certain countries which have reformed their systems and which have given enterprises power to manage themselves have also been unable to solve these problems completely. We need to base ourselves on summarized domestic and foreign experiences, both positive and negative, integrate theory with practice, and conscientiously conduct research to find solutions to the problems. (August, 1980)

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ECONOMIC PLANNING

FIVE SICHUAN ENTERPRISES GEARING PRODUCTION TO MARKET DEMANDS

Beijing RENMIN RIBAO in Chinese 21 Sep 80 p 2

[Article by Fan Shi [4636 8902]: "New Door Opened to Market Adjustments; Five Experimental State-Owned Enterprises Which Are Responsible for Their Own Profits and Losses in Sichuan Province Are Filled With Vitality"]

[Text] Five experimental state enterprises in Sichuan Province that have established independent accounting, on which the state levies taxes, and that are responsible for their own profits and losses have combined restructuring of the national economy with effotts to improve production operations to open a door to market adjustments.

The instituting in enterprises of responsibility for their own profits and losses is a major reform in the industrial management system and is, in a certain sense, a test of the enterprise's ability to survive and compete as well. The test enterprises have greater autonomy in planning, marketing, pricing, and goods and materials; this has opened a broader field of activity for the enterprises to operate in accordance with objective economic laws, to develop production, and to enliven the economy. At the same time, it has emphasized the enterprises' responsibilities, requiring that cadres in these enterprises both master the pulse of the marketplace and learn to do business. Some leadership comrades in plants said with great perception: "With the institution of responsibility for profits and losses, enterprises are like swimmers in billowing seas. Those who can swim could give a good account of themselves, but those who cannot are forced to learn to swim or else will be in danger of going under."

In order to open up markets and broaden the marketing of goods, the Chongquing Clock and Watch Company especially transferred cadres versed in the business to established a "development department." The leadership cadres in this company said quite frankly that the company's establishment of such an organization to collect and grasp pertinent domestic and foreign scientific and technical intelligence was for the purpose both of formulating the company's development plans and of comparing inherent features such as product quality and product varieties, and that it was also a measure of economic wits and commercial foresight. The other several experimental enterprises also set up similar organizations. Examples are the economic research unit in the Chengdu Electric Wire Plant and the Name Brand Creation Office of the Sichuan No 1 Cotton Plant,

both of which were established to develop markets. The plant director and managers in these experimental enterprises felt that the enterprises now face a situation of internal and external pressures. This is a good situation since it forces personnel within enterprises to use their brains and show their skills within the context of state-formulated policies, and to sweep away the past situation of spinning a cocoon around oneself or becoming a pond of stagnant water.

Once enterprises have implemented responsibility for their own profits and losses and cater to the needs of the market, objectively they are impelled toward a more precise definition of their production goals. Formerly these plants rarely looked into whether the products they turned out satisfied the needs of the marketplace. Now the marketplace has become a stage on which enterprises face countless people, and they must produce whatever their customers want them to produce. In addition to restructuring its organization to enhance its product-marketing forces, the Chengdu Electric Wire Plant also has set up sales promotion points and retail departments in some cities.

The result of this action has been a new atmosphere not seen for many a year. It has gotten rid of the "bureaucratic plant" attitude of waiting for customers to come to the door and relying on upper echelons. The state plan for the first half year amounted to only a small part of the production capacity of the Chengdu Electric Wire Plant. The plant's leaders applied the marketing authority for products stipulated for experimental enterprises and sent people out to investigate the market, to interview customers, and to solicit the test-manufacture of new electric cable products. At the same time, it cooperated with research and production components to manufacture special electric cables and electric wires. As a result, plant output during the first half of the year not only did not decline, but it increased by 41 percent over the same period last year. The Southwest Electric Plant changed the past situation in test manufacture of new products, which was a "need to get a high price and difficulties in going into production," to go all out for replacements and exchanges. Any time the plant produces a new product, it is sent to the customers concerned for use free of charge, and only after the customer is satisfied is a contract formally signed.

The market is the touchstone for testing whether an enterprise will succeed or fail. Formerly, enterprises in many part of Sichuan, when faced with competition by products from advanced industrial areas on the coast, sought refuge in the province's isolation. Nowadays, these experimental enterprises have the independence and the autonomy to work out their own marketing and production planning and to create favorable conditions for the enterprise to make the most of its advantages and to do a good job of commodity production. The Sichuan No 1 Cotton Plant, which has its own spinning, weaving, printing, and dyeing equipment, uses the advantages that a large integrated enterprise provides, puts efforts into quality, variety, and price, and depends on small profits but large turnover. Once each day, on average, two new varieties of designs, sizes and colors are sent to the market. This constantly satisfies the fancies and the demands of customers for many varieties. Because the varieties of its products satisfy needs, prices are low and the products not only are marketed within the province but also enter markets on the coast. They say that all that is needed is a liberalization of policies, improvements in merchandising, and making the most of advantages, and many products from Sichuan would vie in markets on the coast.

Implementation of responsibility for profits and losses also emboldens enterprises to push into international markets. Regulations provide for these experimental enterprises to enter into direct negotiations with foreign traders and to divide foreign exchange earnings. Formerly the Chongqing Clock and Watch Company exported only a small number of its alarm clocks, but now active negotiations are underway with foreign traders for further expansion of the varieties and amounts exported.

Comrades in experimental enterprises feel that there presently are numerous problems requiring study and solution. For example, the proportion of commodities that some experimental enterprises are now marketing by themselves exceeds quotas under the state plan. Does this violate the principles of economic planning? Additionally, the state currently controls most raw materials, and some are entirely allocated for the state plan, so if cotton and textile plants want to increase output, they come up against the problem of insufficient raw materials. Is it possible to increase the channels for raw materials available to the enterprises? For example, might enterprises form a link with units producing raw materials to buy directly from them the raw materials needed to increase output, etc?

9432
CSO: 4006

EXPORT OF LABOR-INTENSIVE MERCHANDISE DISCUSSED

Beijing RENMIN RIBAO in Chinese 17 Oct 80 p 5

[Article by Rong Wenzuo [2051 2429 0146]: "Vigorous Development of Labor-Intensive Industrial Goods for Export; Proceeding From Ricardo's Comparative Cost Theory"]

[Text] The bourgeois classical economist David Ricardo proposed the famous "comparative cost theory" in discussing foreign trade. He said "A country which possesses extremely great advantages in machinery and technology, and which is consequently able to produce goods with vastly less labor than a neighboring country, even if its own land is more fertile and the labor it requires to grow grain is less than that of a grain-exporting country, might still exports its goods in order to import some of the grain required for consumption in its own country." For example, if two people are able to manufacture both hats and shoes, and one of these people is better at both occupations than the other but only one-fifth or 20 percent better in the making of hats, whereas he is one-third or 33 percent better in the making of shoes, wouldn't it be more profitable for the better of the two men to concentrate on making shoes while the other man concentrates on making hats?" ("Political Economics and Taxation Principles," Commercial Press, 1962, p 114, footnote) This is another way of saying that both parties can benefit from exchanges under circumstances other than that in which the labor-productive rate for exports in one individual country is higher than in the other. Furthermore, when a country's rate of labor productivity for two kinds of goods is higher than or lower than that of another country, both countries can benefit from the conduct of international trade.

This comparative cost theory has a scientific aspect to it. Below I intend to relate this comparative cost theory to the problem of the development of labor-intensive industrial goods for export in a discussion of several of my own ideas.

I.

Currently China, like many countries and regions of the world, including countries of the vast Third World, has trade contacts. But in the development of China's labor-intensive industrial goods for export, China's principal targets are the industrial advanced countries and regions of Japan, the United States, and Western Europe. In contacts with these targets, we must "know ourselves and know our adversaries." For this purpose, the comparative cost theory contains sections that we would do well to apply.

Take neighboring Japan, as an example. This is a highly industrialized country that is extremely advanced technologically. In some capital (or technological) intensive industries, such as the steel industry, the automobile industry, the electronics industry, the petrochemical industry, and the chemical fertilizer industry, Japan holds positions of international dominance; the Japanese labor productivity is from more than tenfold to several score greater than ours, the variety of their products is greater, and the quality good, and cost and prices so low that we can scarcely compare. In the case of the aforementioned several kinds of goods, we not only cannot enter the Japanese market, but it is even difficult to compete with them in the international market. On the other hand, for items such as clothing, furniture, shoes and hats, and dinner service, even though the degree of mechanization of these industries in Japan is greater than ours and the labor expenditure is less than ours, nevertheless, inasmuch as there is a limit to their labor resources and because their wage scales are higher, the gap between the two countries is narrower in these industries and we possess a relative advantage. This is particularly true of numerous products of arts and crafts industries. China possesses skills in the manufacture of handicrafts, is noted for its varieties and quality, and has a historical tradition in handicrafts. In this we have a greater relative or even an absolute advantage with which Japan and the other advanced capitalist countries cannot compare.

We are unable to compete technologically in the manufacture of some articles used in everyday life and are in a position of relative inferiority in them. Yet, through artistic designing and tasteful processing, we can make the most of our advantages to make up for what we lack otherwise. Handpainting and intensive decoration of ceramic and porcelain manufactures, engraving of designs on glassware, and inlaying and carving of furniture are examples. The demand for arts and crafts that have a practical use and for artistic industrial items that are used in everyday life is a trend in the development of markets in industrially developed countries that has come about as the purchasing power of the people has increased, and the international market for such goods is expanding. We should take conscious advantage of this trend and make the fullest use of our own strengths to vigorously develop such goods for export, endeavor to increase the foreign exchange derived for them, and obtain more foreign exchange for the state.

In the case of some labor-intensive industrial products for export, we can use the relative superiority of others to make the most of our relative advantages and obtain better economic benefits. For example, the export of clothing is relatively beneficial for us. Were we to combine our export of clothing with the import of certain technical equipment for the production of clothing, we would derive even greater benefit. In order to better develop China's exports of clothing, during the past several years we have introduced from Japan, the United States, and Western Europe some high-speed, fine performance, highly specialized individual machinery and assembly lines, thereby increasing the competitive performance of the clothing industry in international markets and creating favorable conditions for further increases in exports. Through the aforestated methods, we have both made the most of our own special skills and made use of the special skills of others. From the standpoint of the other countries, they likewise have made use of their own skills and of our skills. Thus, this has been beneficial to both parties.

Some comrades feel that in the process of realizing the four modernizations, the composition of our exports should gradually change, thus spreading the idea that our development of labor-intensive industrial goods for export is simply an admission of the inadequacy of our own technology and a willingness to lag behind. Such a perception merits discussion. From a long-range point of view, I completely concur in a gradual change in the composition of export products in the course of realizing the four modernizations, with an increase in the proportion of technical intensive industrial goods for export. Yet, at the present stage we still must emphasize the development of labor-intensive goods for export. This is not only realistic and feasible, but it is also helpful in accelerating construction of the four modernizations. Admitting that we are backward is not the same as being willing to remain backward. Acting realistically, making the most of our strengths while avoiding weaknesses, and striving to export more, to increase foreign exchange, and to import more, are, fundamentally speaking, the ways to narrow the gap with industrially advanced countries in the shortest possible time and to create the conditions for a future gradual change in the composition of exports. This is in no way the same thing as being willing to remain in a backward condition.

II.

David Ricardo's comparative cost theory contains a kernel of good sense, but it also contains the bias of the bourgeoisie. Founded on the theory of free trade, set in the historical conditions of the times, it was in the service of the massive occupation of the markets of other countries by cheap British industrial manufactures, of the obstruction of industrialization of backward countries, and most particularly of the plundering of agricultural products and mining resources from colonial and semi colonial countries. China is an independent, underdeveloped, socialist country. Today we possess a correct perception for dealing with the above two aspects of this theory. It is necessary both to actively use its kernel of good sense to accelerate the realization of the four modernizations, and to bear in mind the historical lesson that advanced capitalist countries will use it to control backward countries. There is fierce competition in the international trade arena. Our national economic foundation is weak by comparison, and our labor productivity rate is low, necessitating the adoption of policies for the protection of trade under different circumstances, and the selective import of various foreign products that will help advance China's socialist modernized construction, while at the same time vigorously organizing the export of products for which returns in foreign exchange are high by comparison.

As regards technology-intensive products, it is necessary to realize that they have both a profitable aspect and a comparatively unfavorable aspect for us as well. From the standpoint of comparative costs, while we are exporting labor-intensive goods, the import at the same time of steel goods, motor vehicles, and electronic computers from advanced capitalist countries would be very worthwhile. However, large-scale imports of such products would be very unfavorable for the development of our comparatively backward motor vehicle industry, electronics industry, and steel industry. This requires the adoption of selective and limited measures. There must be a process of investigation and study to ensure that imported technical equipment meets China's real needs

to the fullest extent possible, and to ensure that attention is given to the economic benefits of imported technology. To the maximum extent possible, we should import only needed raw materials, key spare parts, and a minimum of finished goods, so that the fullest use may be made of the processing facilities and labor force inside China. There should be greater importation of technology and less importation of complete sets of equipment.

Likewise, in the development of labor-intensive products for export one must also look at both the profitable aspects and the somewhat difficult aspects as well. In terms of comparative costs, development of labor-intensive products for export is profitable. But since most industrially advanced countries place high tariffs and restrictive quotas on the import of these kinds of goods, our advantage in them is weakened to a certain degree. Experience has told us that the development of labor-intensive goods is conditional, and in the selection of goods for export it is likewise necessary to give careful attention to the economic benefits. Whenever the rate of foreign exchange earnings for exports is high and the market for the goods is large, there should be large-scale development of exports. When foreign exchange earnings rates are down but foreign exchange earnings are still profitable relative to payments of foreign exchange for imports, active exporting should be done. When even limited exports are truly unprofitable, exporting may be stopped or temporarily suspended.

It should be realized that conditions exist for an increase in the export of quite a few labor-intensive products, and it is only because we have not adopted policies to support and encourage exports that the quantity and proportion exported have been impeded. To give an example: export of real silk crepe de Chine brings less than US $1 per meter, but silk processed into embroidered clothing by the Shanghai No 2 Embroidered Clothing Plant brings $7 per meter in foreign exchange when exported. But there is insufficient silk cloth for us to process into embroidered clothing, whereas large quantities of raw silk, crepe de Chine, and silk cloth are exported. This is a problem that very much merits study. At the present time we have no policies that distinguish between and provide different treatment for the export of semifinished products and highly finished products, while taxes currently are levied on export goods of all kinds at every level, and profits increase at every step along the way. Objectively, this leads to the encouragement of exports of raw materials and to restrictions on the export of highly finished products, particularly of highly finished products requiring multiple processes for their manufacture. It is high time for a change in this situation, which is damaging to us. We must actively support and encourage the export of finished manufactures, and it is particularly necessary to support and encourage export of those products that make the fullest use of China's special advantages and intensive labor. Therefore, as a result of heightened awareness, we should formulate suitable programs and policies.

III.

In the international marketplace, we should take note of both mutual competition and mutual cooperation. Between technically advanced and technically backward countries, the mutual exchange of technology-intensive goods and labor-intensive goods offers benefits to both parties, and thus conditions exist for mutual cooperation, equality, and mutual benefits.

In many of the major capitalist countries there is at present a great slowing down in the speed of development, or even a stagnation and regression. In these countries there is a terrible excess of both capital and goods that are urgently in need of outlets in the international market. China, which is in the process of undertaking socialist modernized construction is, in their minds, the greatest untapped international market. This is a very favorable situation for our socialist modernized construction. In the expectation of equality and mutual benefit, we are truly in favor of introducing from them large amounts of advanced technological equipment (including patents), high-quality raw materials, and needed means of livelihood at fair prices.

Nevertheless, China is a country that adheres to self-reliance in undertaking socialist modernized construction. Leaving aside any discussion of international loans at a particular time and for particular amounts, our capacity for imports depends substantially on the level of our exports. The volume of imports and exports must be kept in virtual balance, with no great disparity between the two. Therefore, whoever wants a good share of the China market must also permit China's goods to take a larger share of the market in their countries. Only a market of interdependence with reciprocal imports and exports can become ever larger. The United States has begun to give China most favored nation treatment, which creates favorable conditions for entry into the American market of Chinese goods and also creates favorable conditions for widening American exports to China. As of today, there are some advanced capitalist countries that try by every means to expand their exports to China while at the same time restricting imports from China in every way. This is very unwise of them.

In international relations, we must vigorously develop not only imports and exports but also cooperative production, joint ventures, joint business offices, and sales promotion offices to develop diversified economic and technical cooperation. In the development of labor-intensive goods, and in particular China's traditional arts and crafts exports, we possess a remarkable advantage. Numerous countries want to cooperate with us, and we must actively engage in this kind of cooperation, following the principle of equality and mutual benefit.

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CSO: 4006

BRIEFS

TIANJIN CIRCULAR ON BONUSES--The Tianjin Municipal People's Government issued a circular on 26 November urging all commissions, bureaus, districts and counties to commendatory rallies. The circular states that commendatory rallies such as municipal labor model rallies or municipal congresses of the advanced which were already approved should instead only emphasize moral encouragement and issue commendatory certificates. It says that no bonuses or souvenirs are to be given at such rallies. The municipal people's government also formulated regulations which urges enterprises to strengthen bonus control and avoid a year-end bonus spree. [Tianjin City Service in Mandarin 0030 GMT 28 Nov 80 SK]

CSO: 4006

BRIEFS

NATIONAL BANK SCIENCE CONFERENCE--A national conference on scientific and technological work in connection with bank operations was held from 16 to 24 October in Hangzhou, Zhejiang. Present at the conference were nearly 100 representatives from the people's banks in various parts of the country, including those in charge of scientific and technological work in the banks. The conference stressed the need for mechanization and computerization of bank work in order to modernize operations. Experience in this respect was exchanged, and a work plan was formulated at the conference. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 24 Oct 80 OW]

HEILONGJIANG BANK DEPOSITS--Both the rural and urban areas of Heilongjiang Province have witnessed marked increase in bank deposits. As of 20 November, the total amount of the province's bank deposits has hit 1.28 billion yuan, an increase of 440 million yuan over the figure at the end of last year. [SK032344 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 1 Dec 80 SK]

JIANGSU STATISTICS BUREAU CONFERENCE--A conference of Jiangsu's statistics bureau directors was held in Nanjing 22-28 November. Over 120 representatives of departments concerned attended the conference. The participants noted that statistical work has become very important following the development of socialist modernization and the reform of the socialist economic structure. Therefore, it is necessary to fully implement the state council's instructions on statistical work and to speedily establish a sound statistical network so that it can provide guidance for the growth of the national economy. [OW011321 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 29 Nov 80]

CSO: 4006

BRIEFS

OCEANIC PETROLEUM EXPLORATION TECHNIQUE--Beijing, 24 Nov (XINHUA)--The geological survey department under the Oceanic Petroleum Exploration Bureau of the Ministry of Petroleum Industry and the Electrical Engineering Institute of the Chinese Academy of Sciences have jointly developed a new technique for prospecting petroleum and natural deposits under the ocean floor. Applying this technique, the researchers use electric sparks from a capacitor to create earthquake waves in the ocean, record the waves transmitted back to the ocean floor on magnetic tape, and analyze the earth structure from the data obtained and possible petroleum and natural gas deposits. The technique has been used in ground geological surveys abroad, but never in oceanic petroleum exploration. The new technique is easy and safe in operation, has lower cost and higher efficiency than conventional method and does not pollute ocean water and harm marine biological resources. So far, the ministry has equipped 2 of its survey ships with the new technique. [Beijing XINHUA Domestic Service in Chinese 0155 GMT 24 Nov 80 OW]

LIAONING COAL PRODUCTION--Shenyang, 22 Nov (XINHUA)--The Haizhou open coal mine under the Fuxin Coalmining Administration in Liaoning overfulfilled the state plan for coal excavation and stripping for each of the first 10 months of 1980. One of China's largest open coalmines, the Haizhou mine had remained in a disproportionate state in coal excavation and stripping due to superior agencies' policy of seeking high output. This situation has improved this year after readjustment efforts were made. [OW251559 Beijing XINHUA Domestic Service in Chinese 0128 GMT 22 Nov 80 OW]

CSO: 4006

BRIEFS

GOLD PRODUCTION NEWS--Beijing, 26 Nov (XINHUA)--Goldmines run by people's communes in Jilin, one of China's major gold producing provinces, have met 1980 output target 3 months ahead of time. The total gold output was double what it was last year. Gold output in Heilongjiang Province from January to October this year was 12 percent greater than the same period of last year thanks to mechanization. The province has dozens of gold dredgers including three imported from The Netherlands this year. People's communes in Xinglong County, Hebei Province turned out close to 3,000 ounces of gold and over 10,000 ounces of silver in the first 9 months of this year. [Text] [Beijing XINHUA in English 0701 GMT 26 Nov 80 OW]

CSO: 4006

BRIEFS

SYNTHETIC KNITWEAR PRODUCTION INCREASE--Beijing, 22 Nov (XINHUA)--At present over 20 provinces, municipalities and autonomous regions in China produce knitwear clothing. It is expected that their total output this year will reach over 2 billion yuan, doubling that of 1978. The knitwear products include coats, shirts, skirts, sportswear, Hawaii shirts and children's wear totalling over 210 million garments. In addition to producing synthetic garments, knitwear enterprises in various localities have tapped their strong points of shorter technological processes and more diversified products to begin developing imitation woolen, imitation silk and other textile products. [Excerpts] [OW230440 Beijing XINHUA Domestic Service in Chinese 0133 GMT 22 Nov 80]

CSO: 4006

SICHUAN PROVINCE EXPERIENCING THRIVING MARKET

OW271218 Beijing XINHUA in English 1204 GMT 27 Nov 80

[Text] Chengdu, 27 Nov (XINHUA)--Correct rural economic policies and competition between different sectors of the economy have added to the briskness of the market in Sichuan, China's most populous province, in the wake of its fourth consecutive good harvest.

Retail sales of consumer goods in the province between January and October were 16.9 percent above the same period of last year, according to the Sichuan Provincial Statistical Bureau. Rural areas witnessed a 25.7 percent increase.

Statistics reveal that at the end of October, inventories were up 9.1 percent over the same time last year. Bank savings were up 85 percent too, suggesting that the market will continue to flourish this winter.

All the products from the peasants' private plots and household occupations can now be sold on the market with the exception of cotton. Timber was not allowed on the market in the past, but now the peasants can buy wood and process it into furniture for sale. They can also slaughter and sell pigs they have personally raised.

Communes and brigades were not allowed to sell their products directly on the market in the past. They can now sell such things as vegetables, fruit, aquatic products, bamboo, rattan and wooden furniture, and even grain, after meeting their purchase and marketing contracts with the state commercial departments.

Commercial departments have changed their practice of monopolizing all the factory products and are now specializing in choice purchases. This has resulted in a remarkable increase in the variety of goods and a general improvement of quality.

Hotels, restaurants, tea houses and photo studios run by urban neighborhoods and other collectives have emerged, ending domination of the service trades by the state and the cooperatives.

Individual enterprise is also playing a role. There are now 3,000 individually-run enterprises in Chengdu, the provincial capital, alone, including shops, restaurants, hairdressing and tailoring outfits. Several hundred tailoring stalls along the streets are helping to make life more convenient.

CSO: 4020

DOMESTIC TRADE

BRIEFS

HEILONGJIANG TRADE WAREHOUSE--Jiamusi municipal trade warehouse ignored state policies and sold smuggled goods which it obtained on the black market in order to achieve staggering profits. Over the past 8 months, the leader of this trade warehouse acquired 270 minicomputers worth some 15,939 yuan from communes in Chaoyang County, Guangdong Province, and sold them on Jiamusi markets by raising the selling price to some 1.67 times the original price. The warehouse thus made an illegal profit of some 26,200 yuan. The Municipal Industrial and Commercial Administrative Bureau confiscated all income this trade warehouse had acquired through illegal means. It also suggested that departments concerned investigate the work of this warehouse and determine who should be held responsible. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 2 Dec 80 SK]

HEILONGJIANG JOINT VENTURE--Harbin, 20 Nov (XINHUA)--A ginseng and pilose antlar company in the form of a joint venture recently has been set up in Heilongjiang's Mudanjiang Prefecture to engage in unified management, processing and sale of the gingsend and antlars produced by the rural communes and brigades. Since its opening, business has been brisk, and orders have been received from foreign trade departments in Heilongjiang, Zhejiang, Jiangsu, Guangdong, and Sichuan and from pharmaceutical departments in Wuhan, Chengdu and Jilin. It is estimated that by the end of 1980, the six processing plants under the company will complete the processing of 130,000 jin of fresh ginseng. [Beijing XINHUA Domestic Service in Chinese 0136 GMT 20 Nov 80 OW]

NATIONAL TRADE FAIR--Nanjing, 16 Nov (XINHUA)--A national trade fair of tourism products and handicraft articles for domestic consumption closed in Nanjing Municipality on 14 November. More than 34,000 contracts were signed, with the total volume of transactions reaching more than 102 million yuan. This is an increase of 16 percent over the last fair. [Beijing XINHUA Domestic Service in Chinese 0709 GMT 16 Nov 80 OW]

TIANJIN INDUSTRY-COMMERCE COOPERATION--Tianjin Municipality has achieved good results in urging industrial enterprises to sign production-marketing contracts with commercial departments. In the first 9 months of 1980, some 600 industrial enterprises signed such contracts with commercial departments. On 28 November the Tianjin Municipal Economic Commission and the Municipal Financial Commission held a joint conference to exchange experiences in this work. [SK282300 Tianjin City Service in Mandarin 0030 GMT 28 Nov 80 SK]

CSO: 4006

BEIJING REVIEWS PRC-OCEANIA FOREIGN TRADE

OW301209 Beijing Radio in Mandarin to Southeast Asia 0900 GMT 26 Nov 80

[Report on article by (Er Chu), entitled, "Trade Between China and the Oceania," published in Issue No 6 of the 1980 CHINESE FOREIGN TRADE, from the Weekly Program "Construction of China"]

[Excerpts] (Er Chu) says: Since 1972, the People's Republic of China has successively established diplomatic relations with Australia, New Zealand, Western Samoa, Fiji, Papua New Guinea and Kiribati, thereby opening up a new page in China's trade relations with Oceania. In the past 3 years, China dispatched senior government officials, economic and trade delegations and people from industry and business circles to all countries and regions to exchange goodwill visit with them. China held economic and trade fairs in Australia, New Zealand Papua New Guinea, Western Samoa and Fiji. Australia also held a large fair in China. All these activities played a positive role in promoting bilateral trade. China's total trade volume with Oceania was only $98 million in 1972, but increased to over $1.28 billion in 1979, a 13-fold increase in 7 years.

As the largest and most populous country in Oceania, Australia naturally is China's most important trade partner in this area. In 1973, the Chinese and Australian governments signed a trade agreement that stipulated that the two countries would give each other most-favored-nation status and that they would hold an annual meeting of the Joint Trade Committee to review the implementation of the agreement. In October 1978 the Australian Government announced that China would be given the general preferential tariff enjoyed by developing countries. All these measures gave a strong impetus to the growing trade between the two countries. Chinese imports from Australia include mainly agricultural and animal products and mineral ores. The economic and technical cooperation between the two countries has also concentrated on these two areas. In 1979 China imported a total of some $900 million from Australia which was the fourth highest of all the countries from which China imported goods.

Chinese imports from Australia in the past few years have the following three features: One, in order to steadily promote the import trade, the two countries have signed long-term agreements on the supply of certain goods, such as wheat, iron ore and paper. Two, aside from traditional major import goods, such as grain and other raw materials, China has also gradually increased the imports of rolled steel, nonferrous metal and machinery products. Three, while expanding bilateral trade, the two countries have also reached, or are negotiating, agreements on economic cooperation.

China exports textile products, drawnworks, shoes and native and special products to Australia, while gradually increasing the sale of chemical industrial raw materials, machinery products and mineral products.

The article says: New Zealand, the green island country of Oceania, is another important trade partner of China. In 1973, the Chinese and New Zealand governments signed a trade agreement. In 1978, New Zealand granted China the general preferential tariff enjoyed by developing countries. Since 1973, Sino-New Zealand bilateral trade has increased nearly 13 times. Chinese imports from New Zealand include mainly animal and forestry products, as well as rolled steel and other goods. The imports of 1979 totaled some $84 million. Concerned departments of the two countries are negotiating for cooperation in the fields of the utilization of terrestrial heat energy, steelmaking (?from iron sand), and the processing of dairy and forestry products. Chinese exports to New Zealand are mostly textile products, tea leaves and raw materials for the chemical industry.

The article says: Since the establishment of diplomatic relations between China and the Oceanian states of Fiji, Papua New Guinea, Western Samoa and Kiribati bilateral trade has developed steadily. At the same time, China also maintains nongovernmental contacts with some island countries in the area that China has yet established diplomatic relations. Those states include Tonga, the Solomon Islands, New Caledonia, (?Vanua Levu), French Polynesia and Norfolk Island.

In conclusion, the article says: China has maintained friendly relations and trade ties with all countries and regions in Oceania for many years and has developed, on this basis, mutual understanding and trust with them. Both China and these countries and regions have the common aspiration to promote trade. That aspiration is encouraged and supported by the governments of all concerned. Both China and these countries and regions have a large variety of goods for exchange. The prospect for China's trade with all the countries in Oceania in the 1980's is very promising.

CSO: 4006

IMPORT, EXPORT EVALUATION TECHNIQUES IMPROVED

Losses Recovered

Beijing GUANGMING RIBAO in Chinese 25 Aug 80 p 2

[Article by He Hongze [0149 3163 3419] and Li Wei [2621 5588A]: "Import/Export Evaluation Techniques Improve"]

[Text] The import/export commodity inspection agencies established in all important trading ports of our country have vigorously embarked on a study of the theoretical and practical aspects of import/export commodity inspection methods. They have been continuously improving the techniques of checking and evaluating the quality of import and export commodities so that the commodity inspection certificates issued by our country have established an excellent reputation in international circles and have become indispensable evidence for both trading partners in connection with payments, settlements and claims for compensation, thus contributing to the development of our country's international trade.

Foreign trade commodity inspection covers quantity, quality, specifications, packing, sanitary conditions, transportation, etc., and frequently shipments are large and timed very short with the many special requirements of a highly technical nature.

During the last few years, many of the more than 5,000 men employed in inspection work at the almost 100 inspection agencies for import/export commodities throughout our country, while busily performing their extremely complex inspection and testing work, also simultaneously do job-related studies and scientific research, such research having produced successful results in over 500 instances. For instance, in research undertaken by the Tianjin Commodities Inspection Bureau and the Hohhot Commodities Inspection Bureau, fluorescent serum of over A-60 value was produced for use in the inspection of foodstuffs, which achieved a rate of 97 percent in diagnostic conformity in quick tests and reduced costs by 20 percent. The effectivity of the reagent has reached the advanced level of similar reagents produced in foreign countries. The Changsha Commodities Inspection Bureau, in cooperation with the Hunan Jianxiang Porcelain Works and the Yongsheng Porcelain Works, studied lowering the solubility of metal (lead) content in the colors used on porcelain for everyday use. Their research was successful and the lead solubility was reduced from 50 ppm to 2 ppm, which will enable our country's historically well-established porcelainware for daily use to enter the American market.

Furthermore, they did research in the use of xanthinopurine oxidase for the assessment of freshness of fish, its use as counteragent for the poison of hexachlorobenzere pollution in chicken and egg yolk, and research in the basic theory of mathematical statistics with regard to sampling of metallurgical products.

The raising of the technological level of commodity testing enabled our country to recover in many instances losses in foreign trade. In the case of imports of metal products, mechanical and electrical products, chemical raw materials, metallurgical products and similar commodities alone, our commodities inspection units found out in their tests last year over 7,000 cases with problems as to measurements, quality, specifications, hygienic standards, not conforming with the trade contract and the relevant state standards. Based on the results of the commodities inspection, our foreign trade agencies could negotiate appropriate claims compensation and recover foreign trade losses to the amount of U.S.$34 million. All our export commodities too are now insured in their quality through supervision and assistance of the commodities inspection agencies, and the reputation of our export commodities has truly risen high.

Evaluation Called Important

Beijing GUANGMING RIBAO in Chinese 25 Aug 80 p 2

[Article by He Hongze and Li Wei: "Import/Export Evaluations Are Important"]

[Text] Much knowledge is required in the inspection of import/export commodities. The goods that are being inspected comprise agricultural, animal husbandry, light industry, textile industry and chemical industry products, as well as metallurgical materials, metals and complete plants. The scope of inspection comprises quality, specifications, weight, volume, as well as packing, hygienic conditions, transportation, etc. The categories are numerous and all-encompassing. It requires the employment of all kinds of analytical and measuring instruments, chemical reagents and statistical survey methods, involving various fields of science. Many items are not being tested by the production units, which may even lack the testing capability. The testing of import/export commodities is not only economic work but also work of a scientific and technological nature.

As a consequence of international trade development, the commodities testing technology abroad has reached a high level. They use many highly advanced testing technologies and methods, reaching a high level of mechanization, automation and computer control. Many countries have also established special agencies to engage in research in commodities testing, doing research in technology employed in commodities testing and its basic theories. Through commodities testing they have gained very beneficial economic effects. Although the technological level of our country's commodities testing has continuously gone up, it is still considerably below the advanced international level. Much of our testing work is at present still at the level of common testing by manual operations. Our instruments and equipment are antiquated and incomplete, and technical personnel lack proper training. Up to now there is not one agency in our country that engages in testing research and there is no systematic research into the technology of

commodity testing and measuring. All foreign trade only takes commodity testing at international levels as standard, and whoever has a low technological level will suffer trade losses.

Personnel of our commodities testing agencies fervently hope that a change will speedily be brought about in the backward conditions of our testing technology so as to catch up with the advanced world level. They call for a greater attention to be given by the relevant leading units to the scientific research into import/export commodities testing, so that this work will in the future be equipped with a certain technological capacity, that the instruments and equipment be renewed and remodeled and that an institute be established as speedily as possible for research into import/export commodities testing technology. All factories of the production units involved and related research institutes shall energetically support scientific research into commodities testing. With regard to technical personnel working in the commodities testing agencies, the various party policies governing technical personnel shall be realized in full earnest in order to arouse their enthusiasm. With the joint efforts of all concerned, we are determined to realize the modernization of our country's commodities testing technology at an early date.

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CSO: 4006

BRIEFS

SHANGHAI EXPORT FIGURES--During the first half of this year, foreign trade through the port of Shanghai achieved in over half the time, completion of over half the planned task. The value of exports established a new record. Until the end of June, the procurement of export commodities actually achieved at this city was 63.8 percent of the planned annual figure. Goods shipped in from the other provinces actually were 67.1 percent of the planned annual figure. Exports achieved 50.3 percent of the planned annual figure. All figures are much higher than last year's. Equally good figures were achieved in orders for import commodities. The main reasons for the good performances of this year's export tasks at the port of Shanghai during the first half year were: (1) grasping commodity sources that are suitable to have their goods marketed; (2) bringing into full play the special capacity of the various companies and units, assigning tasks to the right places; (3) close cooperation and good coordination between industry and trade and working with unified effectiveness toward the outside. At the beginning of this year, after the state had handed down the Shanghai port export plan, there was a fairly large deficiency in the total sources for export commodities. The foreign trade agencies, giving consideration to the marketing conditions in foreign markets, resorted to buying up outside the plan certain types of commodities suitable for marketing, which had not been provided for in the plan. At present procurement of commodities within the plan has already reached 99.32 percent. [Text] [Shanghai WEN HUI BAO in Chinese 6 Jul 80 p 1] 8453

NINGBO FILLS EXPORT GOALS--Up to the end of July, Ningbo has prefulfilled 5 months in advance the total set for purchases for export for this year, which was 84.31 percent higher than for the same period last year, establishing this year a record for that particular period. To expand the sources for export commodities the foreign trade units of this city, in close coordination with the agencies in charge of industry, have been effective in the case of staple commodities as well as commodities to be exported in small lots, and have energetically developed the export of new products or products not listed in the export plan. Through various channels the foreign trade agencies acted as go-between for the production units, paving ways, building bridges and taking on the role of a Hong-niang [maid acting as go-between in the play "Story of the Western Chamber"]. In the past 7 months the following items were newly exported or are products not listed in the export plan: naphtha, chloroacetic acid, citric acid, "ka-si" stockings, machine embroideries, plastic floor tiles, frozen ducks, preserved fruit, deep-fried lima beans, dried young tender cabbage, flowers and trees, fresh snake gallbladder, scissors

and shears, large pliers, saws, multiple-use axes, altogether 29 items. The value of purchases for export amounted to 33.26 percent of all commodities purchased during these 7 months. To render the export commodities suitable for the international market, they also strengthened the investigation and study of trade conditions abroad and guided the development of export commodity production. [Text] [Hangzhou ZHEJIANG RIBAO in Chinese 13 Aug 80 p 1] 8453

TIANJIN EXPORTS--In late November, Tianjin foreign trade departments put on Tianjin markets exports worth some 15 million yuan which could not be sold. These include 1.22 million meters of dress material, 40,000 jin of peanut oil, 80,000 pieces of woolen blankets, 25,000 articles of wool clothes, 57,000 other clothes articles and about 2.7 million yuan worth of bed sheets, table cloths, towels and other consumer goods. [SK01005 Tianjin City Service in Mandarin 2330 GMT 28 Nov 80 SK]

ZHEJIANG CHAINS EXPORT--The Hangzhou Chain Factory recently signed a $2 million contract with West Germany's Continental Company at the Guangzhou autumn export commodity fair for supplying the latter 1.27 million meters of chains of various categories in 1981. This is the very first time the factory has ever won such a big contract with any foreign country, although it exported 270,000 meters of chains in 1978 and 420,000 meters in 1979 worth over $1 million. In these 2 years, the factory received nine groups of potential customers from the United States, France, Thailand and West Germany on inspection and consultation tours. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 16 Nov 80 OW]

GUANGZHOU FAIR CLOSURE--Guangzhou, 15 Nov (XINHUA)--China's 1980 autumn export commodities fair closed today at the Guangzhou Foreign Trade Center. Officials reported that the volume of export transactions for cereals, edible oil, foodstuffs, light industrial products, equipment and machinery was bigger than at any previous fair. Sales of petrochemicals, farm and side-line products, ceramics, woven grass ware, embroidery, toys, hand tools and hardware were also brisk. Demand for traditional export native produce and animal by-products, including rosin, tong oil and green tea, outstripped supplies. Newly established import and export corporations and some enterprises sent representatives to take part in trade negotiations. [Text] [Beijing XINHUA in English 1308 GMT 15 Nov 80 OW]

CSO: 4006

ADVANTAGES OF POOLING MOTOR VEHICLES EXPLAINED

Beijing RENMIN RIBAO in Chinese 21 Sep 80 p 2

[Article by Xu Yongping [6079 3057 1627]: "Many Advantages to Organized Use of Scattered Motor Vehicles"]

[Text] Organization of the use of the motor vehicles scattered through government organizations and business enterprises can increase existing motor vehicle transportation efficiency, reduce deadheading, and help effect increased economies.

There are currently somewhat more than 1.3 million civilian motor vehicles in China, with only somewhat more than 180,000 of them belonging to transportation units. The vast majority of motor vehicles are scattered among government organizations and business enterprises. Since all these scattered motor vehicles are part of separate systems, transportation efficiency is very low and a great deal of deadheading occurs. In order to change this state of affairs in the management of motor vehicular transportation, the traffic management units of some provinces, municipalities, and autonomous regions have in recent years organized the motor vehicles scattered throughout society into an integrated enterprise for the mutual benefit of all. They have scored definite achievements in getting a sensible system of transportation started. According to incomplete statistics, about 100,000 trucks have now been organized for use nationwide.

Organization of the use of motor vehicles in society has many advantages. First of all, it increases the motor vehicle utilization rate. A partial pooling of vehicle fleets in the Minhang section of Shanghai has permitted the daily dispatch of 37 vehicles to complete the transportation work formerly done by 102 vehicles from individual plants. Second, it assures the completion of emergency tasks. During late September of last year, the Tianjin Municipal Textile Bureau's color printing company needed to have 50 tons of cement moved quickly from the railroad station. Since this company had already pooled all of its trucks, the rush transportation of this quantity of cement required only 3 hours. This formerly would have been difficult to do. Third, it saves transportation costs and fuel. After the Shanghai Storage and Transportation Company of the State Supplies Bureau pooled its trucks, which were scattered at individual warehouses, during the last half of last year, transportation costs per ton of goods declined .45 yuan over 1977, for a saving of 230,000 yuan for the state. After the Gongxing Road vehicle fleet in Shanghai was pooled, gasoline consumption declined about 20 percent. Fourth, the technical condition

of the vehicles is imporved. Before the pooling of vehicles, the number of vehicles in good operating condition was only 60 percent because of poor mechanical care and a lack of the prople needed to do maintenance and repair. After pooling, with a strengthening of "care, use, maintenance, and repair," the number in good condition reached about 80 percent.

A look at vehicle pooling situation last year shows that three different methods have been adopted: the formation of motor vehicle transportation companies or vehicle fleets by regions that cut across trade and industrial lines; and the formation of special truck fleets according to the kinds of goods to be hauled. We will further explore improved methods for organizing, in a planned and measured way, the use of vehicles scattered among government organizations and business enterprises, taking into account the actual situation existing in local areas and local units.

Organized use of vehicles places higher demands on transportation units. Transportation units will have to change their bureaucratic commercial workstyle, increase the quality of their service, and the efficiency of their transportation, and accommodate users so as to satisfy the transportation needs of all quarters.

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NATIONAL CITY TRAFFIC MANAGERS STUDY PRESENT CHAOS

Need for Scientific Management

Beijing RENMIN RIBAO in Chinese 21 Sep 80 p 2

[Article: "Scientific Management of Urban Traffic Urged by National Urban Traffic Seminar"]

[Text] A National Urban Traffic Management Forum, recently convened in Luda by the Public Security Bureau, urged: "Current urban traffic work must continue to adhere to an overall program of control, must implement scientific management, and must do a good job of orderly municipal traffic control. It called for control of traffic on major streets and thoroughfares by the end of 1981, with vehicles and pedestrians moving in their own prescribed lanes, no crossing of lines by vehicles, no jaywalking by pedestrians, and no obstacles in the streets."

Great changes have taken place during the past several years in China's urban traffic situation. There have been a great increase in the number of motorized vehicles, and the number both of nonmotorized vehicles and of pedestrians have increased tenfold, but the work of municipal road construction and traffic management has been unable to keep pace with developing needs. The volume of traffic flow on some streets has already reached the saturation point; on some roads all sorts of vehicles move along, mixed together with pedestrians; at some intersections, there is chaos with frequent traffic jams. Comrades attending the National Urban Traffic Management Forum from each province, municipality, and autonomous region unanimously agreed that if order is to be brought to municipal transportation, traffic management work must be improved through scientific management.

This forum took account of experiences in various places in emphasizing study of the use of scientific management as the principal measure for bringing order to municipal traffic. By this is meant a strict delineation of vehicle and passenger lanes; strict traffic management, with a determination to correct violations of regulations; and close teaming up of municipal construction with constant improvement in road conditions.

Comrades attending the forum felt that if there is to be scientific management of traffic and orderliness in municipal traffic, widespread propaganda work will also have to be done so that every sector, every trade and industry, and every person will be concerned, will support urban traffic management work, and will jointly maintain municipal traffic orderliness.

Success in Luda

Beijing RENMIN RIBAO in Chinese 21 Sep 80 p 2

[Article: "Luda Effects Overall Control Over Traffic"]

[Text] Within a short time after instituting scientific management of municipal traffic, Luda has virtually turned around the chaotic situation that had existed in traffic within the city, achieving its objective of "no obstructions in the streets, no crossing of lines by vehicles, and no jaywalking by pedestrians" on the major thoroughfares.

Luda is a port city of more than a million people that is open to foreign trade. During the 10 years of catastrophe, traffic management work in the city was severely damaged, traffic was in chaos, and there were many accidents in which people were injured or killed. After the smashing of the "gang of four," Luda instituted overall control of municipal traffic. After restructuring, a striking change occured in the traffic situation. On 27 of the main thoroughfares throughout the city, a clearing of all three lanes was instituted (i.e., no obstructions in the fast or slow lanes for vehicles or on sidewalks); there was orderliness at major intersections; and the number of injuries and deaths from accidents greatly declined. In municipal traffic safety campaigns of comparison and assessment for Liaoning Province, Luda took first place for the 3 years 1978 through 1980. Luda was considered an advanced unit in municipal traffic management for the province.

In its restructuring of traffic orderliness, Luda first of all came to grips with the restructuring of obstacles that impair orderly traffic, and set the stage for vehicles and pedestrians to move in separate lanes. Over the past several years they cleared away impediments to the flow of traffic on more than 80 roads, changing the situation in which "pedestrians walked in the lane for slow vehicles, and slow vehicles squeezed into the fast lane." Traffic management units publicized 16 violations of regulations involving motorized vehicles overtaking other vehicles and careening around, bicycles crossing lines, and pedestrians jaywalking, setting the means to be used in dealing with such matters. On major thoroughfares they set up median strips to separate pedestrians from vehicles, according to the scientific method of each having his own lane, thereby limiting the mixing of vehicles and pedestrians and reducing unsafe conditions.

They took aim at traffic congestion caused by a lack of improvements in road conditions, actively readjusting the volume of traffic flow, reducing clogging of the streets, and increasing the capacity of roads. On Zhongshan Road and Shazhou Road, which are fairly broad avenues, they made a change from the former four lanes of traffic in both directions to six lanes of traffic in both directions, thereby increasing transportation efficiency there by about 30 percent. They also got rid of some superfluous police posts and bus stops and repaired traffic circles, thereby turning areas of congestion into open places. They designated four routes for one-way vehicular traffic only and banned bicycles from three routes, thereby bringing about a balance in the volume of traffic flow on several main thoroughfares and ameliorating congestion. They also readjusted the volume of pedestrian and bicycle flow, encouraging enterprises and government units to increase schedules bus service, streetcars, and motor vehicles, to set up an integrated and more extensive transportation system.

In downtown Luda today, virtually all traffic intersections have automatic signal systems, and traffic management units are constantly studying and improving the automatic signals to improve their regulation of traffic and to increase the capacity of the intersections to handle traffic. As a result of the automatic control of traffic signals, civilian police have changed from sitting at "stationary positions" to going to moving positions, thus strengthening the patrolling and management of roads.

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PROPOSALS DESIGNED TO SPEED UP HIGHWAY CONSTRUCTION

Beijing RENMIN RIBAO in Chinese 21 Sep 80 p 2

[Article by Xian Lizhi [0341 4539 1807]: "A Few Proposals for Hastening Highway Construction"]

[Text] Highway transportation accounts for a fairly large proportion of China's total means of transportation. In 1978, the nationwide turnover in highway transportation amounted to 9.2 percent of the turnover for the three modes of transportation (railroads, water transportation, and highways); the amount of cargo hauled by highway amounted to 68.4 percent of the total for all three modes and had an output value of 24.4 billion yuan, accounting for 51 percent of total output value for transportation nationwide. This was 3.7 percent of total output value for production nationwide. This is to say that for every yuan of value in final products turned out in China, .037 yuan was highway transportation value.

Following the establishment of the People's Republic, highway construction saw great growth. But in an overall sense, our country's highway situation is still rather backward. The number of highways is small, and their technical standards are low. China now has 890,000 kilometers of highways, of which highways that are technically substandard account for 45 percent. First- and second-class highways still amount to less than 2 percent. One-third of the highways are made of dirt, and only 17 percent of all highways have asphalt, residual oil, or concrete surface. There are 128,000 bridges, most of which are not wide enough and have a low weight-bearing capacity. Additionally, there are more than 700 ferry crossings where the construction of bridges is awaited.

Because of the scarcity of highways, the inability to travel from one place to another or to move directly from one place to another is a very common phenomenon, and is particularly prevalent in mountainous regions. Because of low highway technology, the speed of vehicle operation does not meet the speeds for which vehicles were designed, nor does it meet the requirements for economical operation of the vehicles. Consequently, waste of power and fuel is fairly serious. It is estimated that during 1979 alone, about one-third to one-half of the power of automobiles, and more than 1 million tons of gasoline, were wasted. The accidents resulting from poor highways are also extremely serious.

This state of affairs is not geared to development of the national economy or to construction of the four modernizations. The following proposals are designed to change this situation.

Change the Existing System of Highway Management

In many foreign countries, the highways are divided for management purposes. Prior to 1958, in China too there was a division of responsibility for highways between the central government and local jurisdictions. The central government was responsible for the planning and building of main highways, and local jurisdictions were responsible for the planning and building of highways that were local in nature. Numerous main highways such as the Sichuan-Tibet and the Qinghai-Tibet highways, the Karamai and Tsaidam oilfield highways, the Sichuan-Guizhou and Sichuan-Yunnan highways, the Yantai-Weifang Highway in Shandong Province, the Highway for the Support of the Frontlines in Fujian, the Haikou-Yulin Highway on Hainan Island, and the Beijing-Tianjin-Tangshan Highway running from Beijing to the sea were all built during this era, under the responsibility of the central government. But for some unknown reason, after 1958 highways came to be regarded as nonindustrial systems and were transferred entirely to lower levels. The Highway Bureau and its eight highway engineering bureaus and five highway design institutes, which had been responsible for nationwide highway construction and motor car transportation, were totally disbanded. A complete highway management system was abolished, and technical files and technical data were lost. From then on, planning, programs and policies the system of rules and regulations, technical standards, quota management, and the building of a highway corps, etc, for highway construction were in limbo. Some special problems in highway employments remainded unsolved for a long time for a lack of people to take responsibility for considering them. Some highway employees worked from the time they were young until old age, beginning in the early liberation period with the building of the Sichuan-Tibet Highway and the Qinghai-Tibet Highway, and through the war as it moved from north to south, and yet today they still have no fixed place of abode. Husbands and wives cannot become reunited, and children cannot go to school. There are really numerous practical problems that cannot be solved. The current situation in the highway corps is this: the old ones want to leave, and no new ones want to come. The schools cannot attract students, and undertakings cannot attract workers. If this continues, there is a danger that there will be no one to carry on highway operations.

In order to solve these problems there must first be a change in the existing highway management system, using both domestic and foreign experiences to designate highways throughout the country as being either national, provincial, county, or commune and brigade roads, with separate levels of management. National roads would be under unified planning and construction by the state; provincial roads and county roads would be planned and constructed by local jurisdictions; and commune and brigade roads would be built by the masses themselves according to their own requirements, and would be operated by the prople with the help of public funds. National defense and border defense highways would be the responsibility of the military sector for planning and construction.

This system would provide both unified leadership and a division of responsibility for work, making for the arousal of initiative by both the central government and regional jurisdictions. This is the only way in which highway construction can be increased within a short period of time.

Establishment of Highway Construction Funds

Construction of highways requires a certain amount of capital. If the demands are too high and are divorced from realistic objective circumstances and the realm of possibility, they will not be able to be put into effect. On the other hand, if not a penny is to be spent and an effort is made to cook without rice, that won't work either. China can amass highway construction funds from several quarters.

First, the state can invest capital. Highway construction is an integral part of national economic construction. But China today makes only small expenditures annually in the category of national defense preparations and border defense highways. During the period of the First Five-Year Plan, expenditures for investment in highway construction amounted to 3-5 percent of national capital construction investment. Henceforth, annual state capital construction investments should also include definite expenditures for large construction; certainly there can be no refusal to spend a little.

Second, on the basis of the principle that "road users construct the roads," it is proposed that a 10-percent surcharge, to be used for road construction, be included in the price of motor vehicles, gasoline, and tires. Such a method is in use abroad. Data from foreign countries show that good road construction reduces by more than 10 percent the total expenditures for damage to automobile parts and for gasoline.

The two aforementioned sums of money may be placed under the unified control of the central government for use in construction of national roads and to help with the construction of roads in mountain areas.

Third, following the principle of "using the roads to support the roads", road maintenance fees levied on vehicles traveling the roads would be in the hands of the provinces. Most of the money thus derived would be used in the maintenance and repair of highways. Additionally, attention would have to be given to improvements in old roads and to the new construction of provincial and prefectural highways.

Fourth, a certain sum of local tax revenues from agricultural surtaxes would be used for county road construction and for help to communes and brigades in road construction. This would be under county control.

The several aforementioned sources for the collection of funds for highway construction would be fixed by law so that these special funds would be used for their special purpose. Additionally, in the case of some special highways, foreign capital or bank credits could be used for construction. Once the highways have been built, "highway tolls" could be collected on vehicles using them in order to amortize debts. Some foreign countries use these methods in the construction of high-speed highways.

The quantity and scale of highway construction require substantial sums of money. But if one feels at his wits' end and believes that nothing can be done on this account, that is a passive attitude. If active measures are adopted and the sources and flow of funds are broadened, funds for highway construction will be found. The key lies in the determination on the part of the leadership.

There is another point to be made, and that is that construction of highways must be based on the realities in China, such as a large labor force and relatively scarce arable land, numerous plains in the north, and numerous mountains in the south. All kinds of means of transportation (motor vehicles, people, animal-drawn vehicles, and bicycles) are on the roads at the same time, and highway standards are currently low. Roads that abruptly come to an end are commonplace, and highway development is not balanced. Needed is the formulation of road-construction plans, programs, policies, and technical criteria for the gradual construction of a network of main highways in China. There will have to be an adaptation of general methods to specific situations for vigorous improvements of old roads. Gradual construction of some high-speed highways is necessary. In this way, the possibility exists for the rather rapid transformation of the backward look of China's highways to bring highway endeavors in line with China's economic development, the development of science and technology, and the material and cultural life of the people.

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BRIEFS

XIANGFAN-CHENGDU RAILWAY--Xian, 20 Oct (XINHUA)--The electrification of the Hujiaying-Ankang section of the Xiangfang-Chengdu railway was completed and open to traffic on 10 October. Up to now, the 361-km east section (from Xiangfan in Hubei to Ankang in Shaanxi) of the said railway has been entirely served by electric powered trains. The Hujiaying-Ankang section is 137 km long. [Beijing XINHUA Domestic Service in Chinese 1152 GMT 20 Oct 80 OW]

CAAC HONG KONG VISIT--Hong Kong, 20 Nov (XINHUA)--Wang Chiji, office manager of the General Administration of Civil Aviation of China (CAAC) who is currently visiting Hong Kong gave a banquet on the evening of 19 November here in honor of those personnel of the former China National Aviation Corporation and the Central Air Transport Corporation who crossed over to the motherland in 1949. On behalf of CAAC, Wang Chiji extended warm greetings to the flight and ground personnel of the former two airlines. Wang Chiji led a CAAC press delegation to Hong Kong on 13 November to participate in the inaugural ceremony for the Beijing-Hong Kong and Hangzhou-Hong Kong air service. [Beijing XINHUA Domestic Service in Chinese 1643 GMT 20 Nov 80 OW]

LIAONING SEAPORTS--After dredging and rebuilding, the traffic capacity of Yingkou Port, Liaoning Province, has increased. This year 440 cargo vessels arrived from or sailed to Qingdao, Yantai, Longkou and Lianyun ports, and Yingkou port handled a total of 240,000 tons of cargo. Two 7,000-ton oceangoing cargo vessels have sailed to Japan from this port since the summer. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 30 Nov 80 SK] Xingcheng County, Liaoning Province, has built a small seaport at the northern gulf of (Qinghua) Island. The total length of the seaport is 70 meters. [Shenyang Liaoning Provincial Service in Mandarin 11-0 GMT 30 Nov 80 SK]

SHANGHAI RIVER-HARNESSING PROJECT--Work on the (Zoumatang) project commenced on 10 November. This project, covering some parts of Yangpu district and Baoshan County of Shanghai Municipality, includes the dredging of a 10-kilometer river section, construction of 14 bridges and building of embankment. The project will be carried out in two stages. The first-stage work is expected to be completed before the end of this year. [Shanghai City Service in Mandarin 1130 GMT 21 Oct 80 OW]

MALTESE DOCK--Valletta, 14 Nov (XINHUA)--The "Red China" dock built by Maltese and Chinese technicians and workers has been put into operation and a super tanker entered the dock for repair today. Today thousands of people gathered in and around the dock to watch Maltese and Chinese workers tug the 217,000-ton Greek tanker into the dock chamber. Maltese Minister of Telecommunications Wistin Abela was present on the occasion. The Greek super tanker is the fifth ship to be repaired at the dock since it was put into trial-use on 9 October this year. Before the dock was built, Malta could not repair ships bigger than 123,500 tons. [Text] [Beijing XINHUA in English 0105 GMT 15 Nov 80 OW]

CSO: 4020

BRIEFS

INDUSTRY, COMMERCE DELEGATION--Hong Kong, 21 Nov (XINHUA)--The delegation of All-China Federation of Industry and Commerce headed by Hu Ziang arrived in Hong Kong from Guangzhou on 21 November. It was greeted at the railway station by officers of the Chinese General Chamber of Commerce in Hong Kong and other commercial and banking figures. The delegation has come to Hong Kong to participate in activities to celebrate the 80th anniversary of the Chinese General Chamber of Commerce in Hong Kong. [Beijing XINHUA Domestic Service in Chinese 1433 GMT 80 OW]

BEIJING ECONOMIC FORUM--Beijing, 25 Nov (XINHUA)--Recently the China Research Society on the socialist aspects of political economy held a discussion meeting on the goal of socialist production, attended by more than 100 economic theorists and workers in Beijing. Twenty-one comrades spoke. They analyzed the historical background of the discussion as well as its theoretical and practical significance and maintained that a clear understanding of the goal of socialist production would help eliminate the ultraleft poison in economic work and arouse the workers' enthusiasm for production. They called for creating the objective conditions for achieving the goal of production--bringing happiness to the working people by satisfying their ever-increasing needs in material and cultural life. [OW030351 Beijing XINHUA Domestic Service in Chinese 0218 GMT 25 Nov 80 OW]

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China Report

ECONOMIC AFFAIRS

No. 105

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ECONOMIC AFFAIRS

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FINANCE AND BANKING

FINANCIAL OVERVIEW OF THE PEOPLE'S REPUBLIC OF CHINA

Author unknown ZHONGHUA RENMIN GONGHEGUO JINRONG GAIKUANG [FINANCIAL OVERVIEW OF THE PEOPLE'S REPUBLIC OF CHINA] Jun 80, table of contents and pp 1-24

[Article published by Planning Bureau, People's Bank of China, June 1980, "Financial Overview of the People's Republic of China"]

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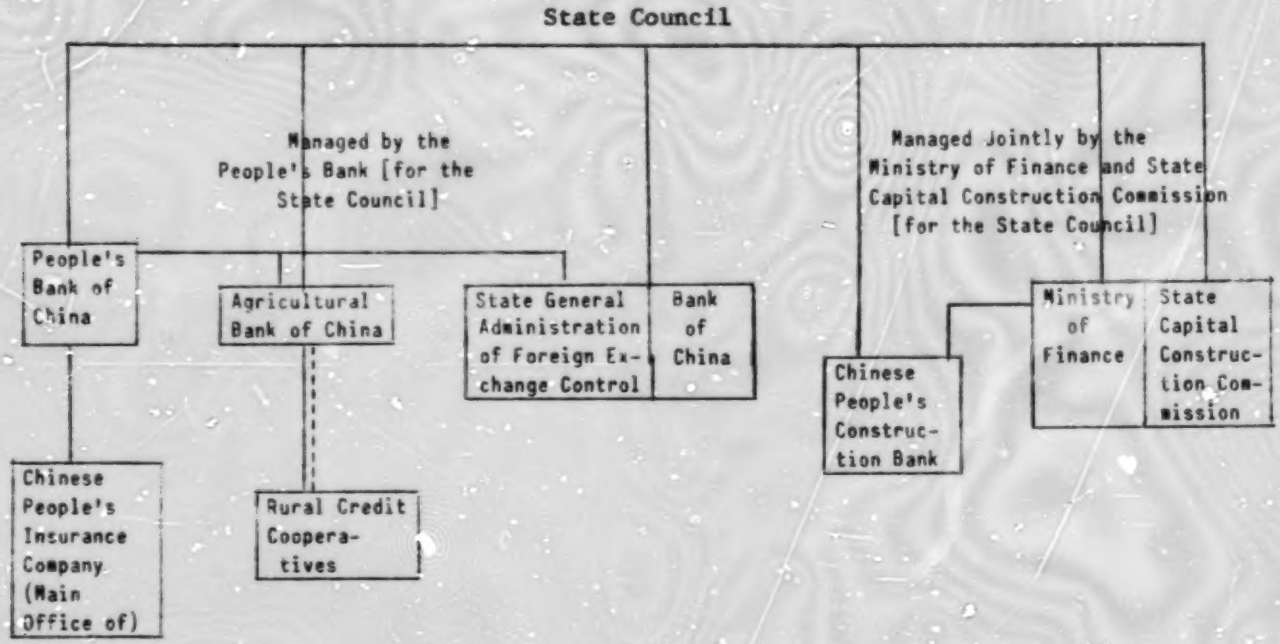
1. Financial System of the People's Republic of China

The financial system of our country is composed mainly of the People's Bank of China together with specialized banks and other financial organizations.


State Council
Managed by the People's Bank [for the State Council]
Managed Jointly by the Ministry of Finance and State Capital Construction Commission [for the State Council]
People's Bank of China
Agricultural Bank of China
State General Administration of Foreign Exchange Control
Bank of China
Chinese People's Construction Bank
Ministry of Finance
State Capital Construction Commission
Chinese People's Insurance Company (Main Office of)
Rural Credit Cooperatives

The character, function and mission of the People's Bank of China will be detailed later. An overview of other specialized banks and financial institutions is as follows:

(1) Agricultural Bank of China

The Agricultural Bank of China is directly subordinate to the State Council and is managed by the People's Bank of China. It operates specialized banks pertaining to loan activities in rural areas, provides unified management of various funds from the state for the support of agriculture, collectively handles rural credit, provides leadership for rural credit cooperatives, is responsible for giving guidance and training in accounting to people's communes in rural areas, and handles other tasks transferred to it by the state or entrusted to it by the People's Bank of China.

The Agricultural Bank of China has branches in provinces, prefectures, and counties throughout the country, and it maintains business offices below county level.

(2) State General Administration of Foreign Exchange Control

The State General Administration of Foreign Exchange Control is directly subordinate to the State Council and is managed by the People's Bank. It is responsible for formulating laws for the administration of foreign exchange, for the unified administration of the state's foreign exchange, for checking and supervising all foreign

exchange receipts and disbursements in foreign trade and otherwise, for ensuring an overall balance in planned income and expenditures of foreign exchange, for publishing the exchange value of people's currency in terms of foreign currencies, and for handling other tasks given it by the state or entrusted to it by the People's Bank.

The State General Bureau of Foreign Exchange maintains foreign exchange control bureaus in those provinces, municipalities, autonomous regions, and major ports where the volume of business is large.

(3) Bank of China

The Bank of China is directly subordinate to the State Council and is managed by the People's Bank of China. It is a state appointed import-export bank, and it is the sole specialized bank for foreign exchange in our country. It is responsible for unified handling of international loans, settling of accounts, the organization of foreign exchange funds, the handling of foreign exchange loans and foreign trade loans, the handling of remittances from overseas Chinese, the signing of agreements involving foreign fund transactions, and the handling of other tasks given it by the state or entrusted to it by the People's Bank. The Bank of China will, as the development of its work requires, gradually set up branch organizations in provinces, municipalities, autonomous regions, and major ports. The Bank of China maintains branches in Hong Kong, London, Tokyo, Singapore and Luxembourg. It has agents in major countries and regions throughout the world.

(4) Chinese People's Construction Bank

The Chinese People's Construction Bank is directly subordinate to the State Council, and is managed by both the State Capital Construction Commission and the Ministry of Finance, primarily the latter. It is a specialized bank for managing state capital construction investments. It disburses funds and makes loans to capital construction units, handles the deposits and loans to, and supervises the use of funds and loans distributed to contruction and installation enterprises, geological prospecting units, and enterprises which supply or sell capital construction materials.

The Chinese People's Construction Bank maintains branches in provinces, municipalities, and autonomous regions throughout the country.

(5) The Chinese People's Insurance Company

The Chinese People's Insurance Company is under the leadership of the People's Bank of China and is responsible for handling insurance and reinsurance business both domestically and abroad. Domestic insurance activities were halted in the past, but now they are gradually being restored. The Chinese People's Insurance Company's two subordinate joint public-private insurance companies are the China Insurance Company and the Taiping Insurance Company.

The Chinese People's Insurance Company presently maintains direct or indirect reciprocal relationships with more than 400 insurance companies in 80 foreign countries and regions.

The Chinese People's Insurance Company will gradually re-establish branches in each province, municipality, and autonomous region.

(6) Rural Credit Cooperatives

Rural credit cooperatives are collective financial institutions in rural areas and they are also the basic level institutions of the Agricultural Bank of China. Credit cooperatives handle financial business in rural areas, carry out the duties of state financial organizations in rural areas, carry out a unified state financial policy, and employ unified interest rates. Credit cooperatives carry out independent economic accounting and are themselves responsible for profits and losses. Banks must pay handling fees to credit cooperatives who handle business on their behalf. When credit cooperatives incur losses as a result of the application of unified state interest rates, the banks must make reimbursement.

The various specialized banks, insurance companies, credit cooperatives, and the People's Bank of China comprise a nationwide unified financial system that forms a financial network throughout the cities and the countryside.

2. The Nature, Function and Basic Mission of the People's Bank of China

The People's Bank of China is the national bank of the People's Republic of China and an integral part of the State Council, under the direct leadership of the State Council. It is an administrative organization for state financial management, and it is also an economic organ for handling loan activities. The People's Bank of China is entrusted by the State Council to manage the Agricultural Bank of China, the State General Bureau of Foreign Exchange, and the Bank of China.

The People's Bank of China is the sole bank of issue in the country. Acting under state vested authority, it prints and issues renminbi [people's currency].

The People's Bank of China is responsible for formulating unified financial programs, plans, interest rates, and major management regulations for the entire country.

The People's Bank of China carries out state programs and policies (in the handling of loans), institutes the use of economic methods to manage the economy, gives full play to the economic leverage of banks, promotes and supervises various economic activities, supports the planned, proportional, enduring and high speed development of the national economy, and promotes speedy modernized socialist construction.

The functions and basic mission of the People's Bank of China are as follows:

(1) Unified control over the issuance of currency and the regulation of currency flow in the market place as stipulated by the state.

(2) Organization of the savings of units and assimilation of residents' deposits to raise funds for socialist construction. To make industrial and commercial loans to support the development of production and expansion of the flow of goods.

(3) Uniform formulation of nationwide loan plans and cash reserve plans as well as arranging for their implementation.

(4) Unified administration of gold and silver and responsibility for the financial market in accordance with government laws and vested authority; responsibility for the management of cash reserves and supervision over payroll funds.

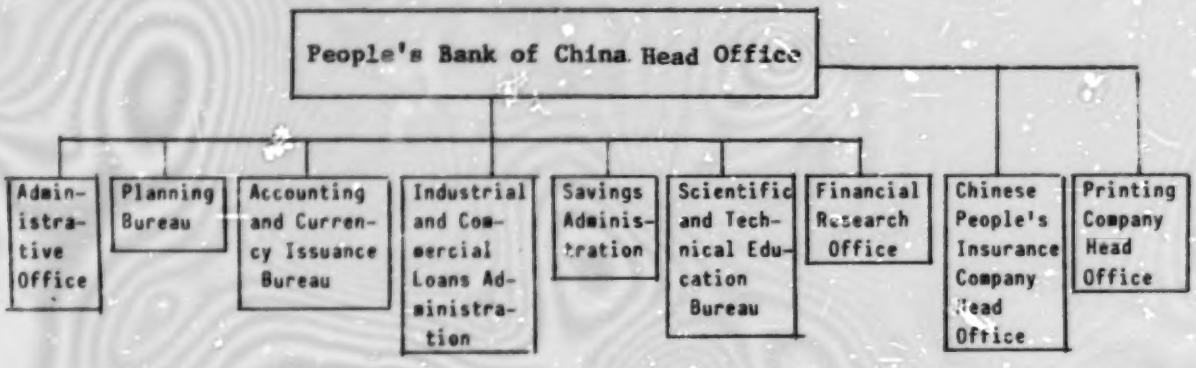
(5) Formulation of interest rates and foreign exchange rates.

(6) Administration of income and disbursements of the national treasury.

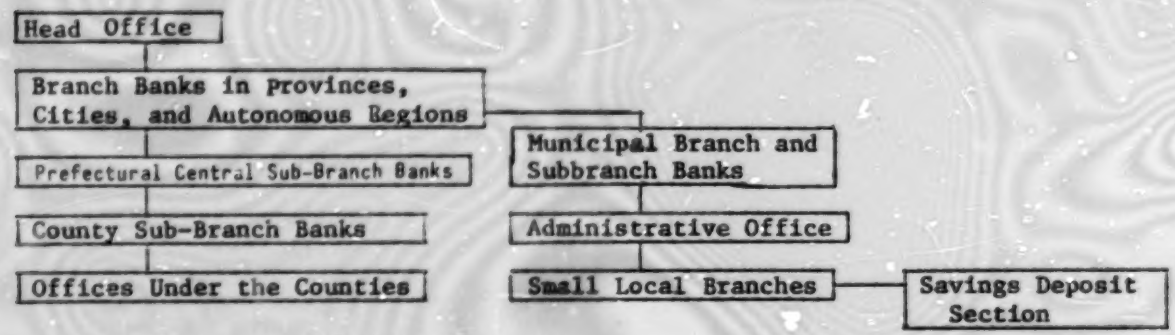
(7) Handling the settling of accounts from the city and the countryside throughout the country.

3. Structure and Personnel of the People's Bank of China

Functional organization of the home office of the People's Bank ofChina is as follows:


People's Bank of China Head Office
Administrative Office
Planning Bureau
Accounting and Currency Issuance Bureau
Industrial and Commercial Loans Administration
Savings Administration
Scientific and Technical Education Bureau
Financial Research Office
Chinese People's Insurance Company Head Office
Printing Company Head Office

Structure of the People's Bank of China throughout the country is as follows:



The People's Bank of China maintains branches in each province, municipality, and autonomous region. At the prefectural level, it maintains central subbranches; at the county level, it maintains subbranches; and in large towns and industrial and mining areas, it maintains administrative offices or worksite offices.

In larger municipalities under the jurisdiction of the provincial government, there are municipal branch banks, and in other municipalities under the jurisdiction of the provincial government, there are municipal subbranch banks. Below the municipal

branch banks and subbranch banks are offices set up in wards, and beneath these offices are small local branches and savings deposit sections as requirements dictate.

As of the end of 1979, there were a total of more than 15,000 People's Bank organizations on various levels throughout the country. Among these were 29 province level branch banks, 148 municipal level subbranch banks, 220 central subbranch banks, 2777 county level subbranch banks, 886 municipal offices, 2042 small local branches, 6790 savings deposits sections, and 2883 offices under the jurisdiction of counties.

As of the end of 1979 the People's Bank of China had a total of more than 330,000 cadres and employees.

4. Currency Issue Function of the Bank

The currency of the People's Republic of China is renminbi, and the renminbi issued by the People's Bank of China is the sole currency for circulation within our country. Renminbi can circulate only in domestic markets; it is prohibited for import or export. Our country prohibits the circulation within the country of foreign currencies.

Issuance of renminbi is in accordance with the needs for the development of the national economy. Issuance is to be in keeping with economic requirements, not financial ones. The quantity of money printed, and the kinds and styles of paper currency and coins must be approved by the State Council.

The state prohibits any place, any department, or any unit from either issuing currency or altering the currency. Counterfeiting, alteration or destruction of renminbi as well as destroying the prestige of renminbi will be punished according to the law.

5. Financial Administration and Management

(1) Management of cash reserves. In accordance with state regulations, the Chinese People's Bank shall exercise management of cash reserves of all state-owned enterprises, endeavors, organizations, groups, military units, schools, and collective economic units. Various special banks can institute cash reserve management for depositors upon being commissioned to do so by the People's Bank of China.

(2) Management of gold and silver. The People's Bank of China provides unified management for gold and silver and handles the buying and selling of gold and silver. Other units dealing in gold and silver as well as manufactures made from gold and silver must receive approval from the People's Bank of China. The state prohibits private buying and selling of gold and silver, and the setting of prices for it.

(3) The state strictly prohibits usury. No one may use currency or tangible goods to engage in high-interest exploitation. Violators will be punished according to the law.

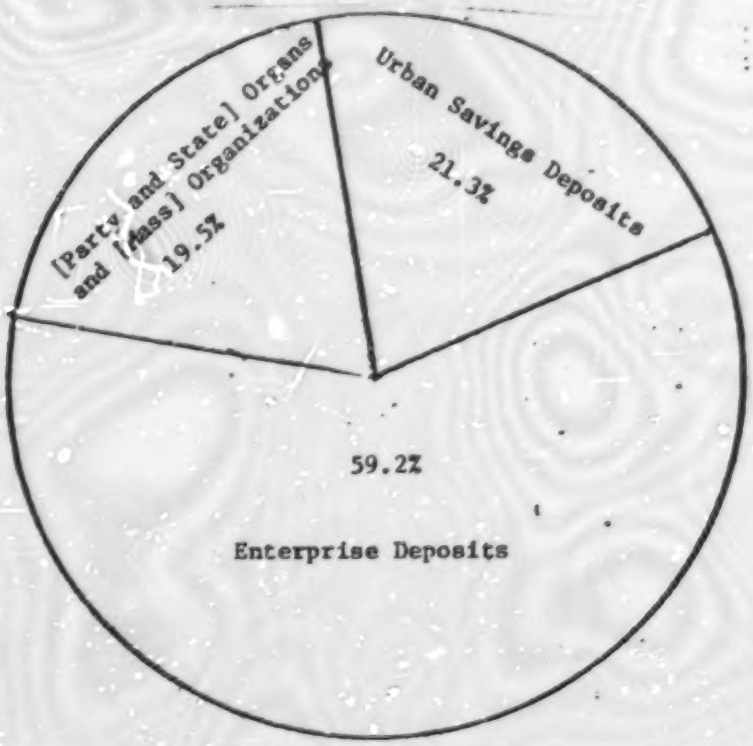
(4) The state has designated the People's Bank of China for unified dealing in foreign exchange credits, for settlement of accounts, and for the buying and selling of foreign exchange. Private buying and selling of foreign currencies, or of negotiable securities in foreign currencies, and the quoting of prices in foreign currency is prohibited.

(5) The opening within the territory of the People's Republic of China by overseas Chinese traders or foreign traders of overseas Chinese capital banks, Chinese and foreign joint capital banks, foreign capital banks, and other financial institutions must be approved, observe the laws of the People's Republic of China, and accept the management and supervision of the People's Bank of China. The People's Republic of China will protect their legal rights and interests.

6. Deposits in the People's Bank of China

The mobilization and organization of the temporarily idle funds in various sectors of the national economy and from individuals in the towns and the countryside is one of the primary functions of the People's Bank of China. Deposits in the People's Bank of China are made up of two types. One is deposits from units (including deposits of enterprise units and deposits by such units as party and state organs, mass organizations, and educational institutions), and the other is individual savings deposits.

The breakdown of the various deposits in the People's Bank of China is shown below:



(1) Unit Deposits

In accordance with state regulations on the management of cash, cash belonging to enterprises, party and state organs, mass organizations, or schools that is in excess of reserve norms, as well as all transfer account income must be deposited in state banks. Such deposits are mandatory, and deposits for the economic organization of enterprises will be paid interest by the banks. Deposits of party and state organs, mass organizations, enterprise management departments, and state institutions

will not receive interest inasmuch as they are not revolving funds for use in managing production or in the circulation of commodities, but rather most are allocations from the state budget.

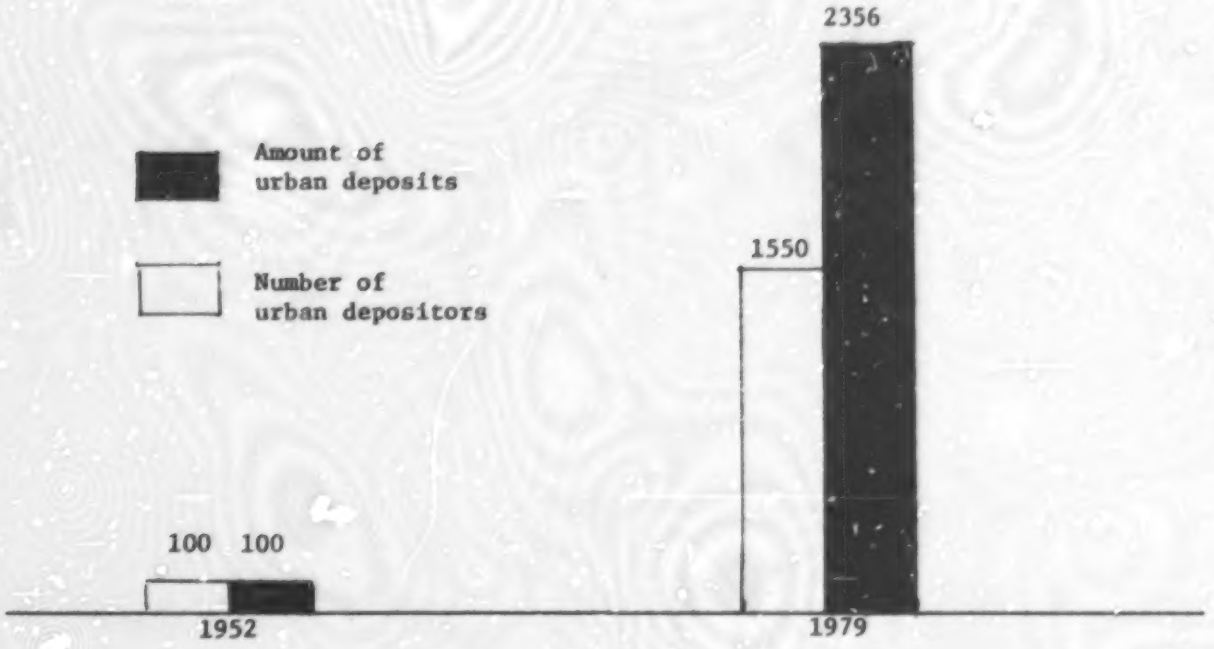
(2) Savings Deposits

These are individual deposits from urban and rural residents. Our country's principles for individual savings deposits are that savings should be voluntary; savings may be withdrawn at any time; savings pay interest; savings data are kept secret.

Savings accounts are divided into demand deposits and time deposits. Time deposits are for 6 months, 1 year, 3 years, or 5 years, and they are also of the kind in which money is deposited in installments to be withdrawn as a lump sum. Additionally, there are renminbi time deposit savings accounts for overseas Chinese for 1 year, 3 years, or 5 years.

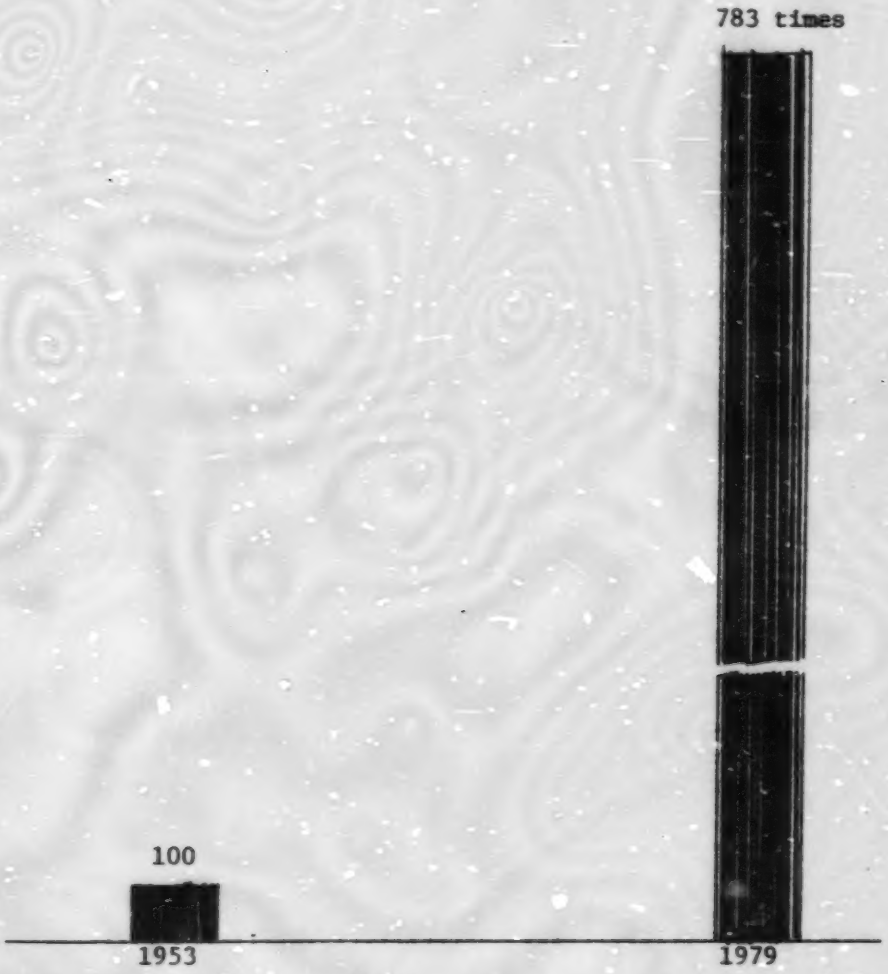
Savings accounts for urban dwellers in our country are handled by savings subbranches of the People's Bank of China. As of the end of 1979, savings had increased 22.6 times the 1952 amount, and the number of depositors was 14.5 times greater.

Growth in Savings by Urban Dwellers (1952 is 100)



Additionally, savings deposits by members of people's communes in rural areas are handled by the rural credit cooperatives. As of end 1979, volume of savings had increased 782 times that of 1953.

Increase in Savings Deposits by Members of Rural People's Communes
(1953 is 100)



The main reasons for such large increases in savings deposits were:

1. The masses' cash income steadily rose; the standard of living steadily improved; and there were surpluses;

2. A spirit of digilence, thrift, and hard work to build up our country and support their families pervaded the minds of the people.

3. The party and the state formulated correct policies and principles to develop savings activities.

7. Loans by the People's Bank of China

Loans are a channel through which the state redistributes funds. The state uses banks to accumulate society's idle capital, then pays it out in the form of loans

to support the development of industrial and agricultural production and the expansion of the flow of commodities.

The characteristics and principles of our country's loans are:

(1) All credit is centralized in banks; commercial credit is forbidden;

(2) Loans are issued according to plan, with distinctions made in how different enterprises are treated and support going to the most promising. Loans to enterprises are made through economic contracts;

(3) Loans must be guaranteed with collateral that is usable or marketable;

(4) Loans must be repaid on time, rolled over, and put to use. Our country's loans are agricultural loans, industrial loans, and commercial loans.

(1) Agricultural loans

In the development of the national economy, our country adheres to a program of "agriculture is the foundation," and vigorously develops agricultural production so that agriculture, forestry, livestock raising, sideline occupations and the fishing industry show comprehensive development. Therefore, issuance of agricultural loans to help the development of agricultural production holds an important position in the work of banks.

Our country offers the following kinds of agricultural loans: loans for agricultural production expenses, loans for production equipment, loans for commune-run enterprises, loans for state-run farms, loans for small hydropower projects in rural areas, and loans as circulating capital for credit cooperatives, etc. These loans are issued in accordance with the policies, principles, and for the prescribed uses of the Agricultural Bank of China.

(2) Industrial loans

Industrial loans are loans of extra circulating capital issued to industrial enterprises and medium and short term equipment loans. Normal circulating funds for enterprises are prescribed and disbursed through the state budget. The recipients of industrial loans are independently accountable state owned industrial enterprises, the supply and marketing enterprises for various industrial managment departments, material supply enterprises at all levels, and collective industrial enterprises.

Categories of industrial loans are as follows:

1. Extra loans. These are seasonal or temporary loans of circulating funds to enterprises. Their maximum limit is not to exceed 1 year.

2. Account settling loans. Primarily to provide transport funds required during the process of settling accounts, when the state owned enterprise has delivered goods, but has not yet received payment.

3. Loans for major repairs. These are to help enterprises undertake major repairs of fixed assets for which they should have previously set aside funds but did not.

4. Short and medium term equipment loans for light and textile industries. These are loans to make use of unused potential in old plants used by the light and textile industries to renovate or improve them, and for a few related reconstruction or expansion projects. Such loans may not be used as capital construction investments for new construction or for ongoing enterprise construction.

(3) Commercial Loans

The basic premise underlying commercial loans is the same as for industrial loans. A special feature is that the flow of commodities and the flow of currency are intimately related. Loans issued to commercial units are used to increase stocks of goods, and currency put into circulation can be withdrawn from circulation by the sale of goods, so commercial loans are purely of a short-term turnover character. Therefore, the banks can take on a fairly large portion of the circulating funds needed by commercial enterprises. Commercial loans usually amount to 70 percent of the circulating capital of commercial enterprises. Funds required by state purchasing enterprises doing business in grain or agricultural and sideline products to make purchases of first and second category agricultural and sideline goods and the three principal categories of agricultural and sideline products come entirely from bank loans. If purchases exceed plan and there is no time to request supplementary funds, loans repayments may be geared to the situation.

The categories of commercial loans are as follows:

1. Commodity circulation loans. Used to increase stocks of goods on hand, including funds needed to make purchases of industrial goods, purchases of agricultural sideline products, temporarily needed circulating funds, and funds to settle accounts.

2. Loans for down payments for the purchase of agricultural and sideline products. These are loans made to commercial units as partial advance payments in the purchase from rural communes and brigades of agricultural and sideline products (including cash crops and goods for export).

3. Loans for major repairs used for major repairs in industries operated by commercial enterprises. Loan procedures are the same as for industries.

8. Plan Management Work Done By the People's Bank

The main plans of the banking industry in our country are the comprehensive credit plan and the cash flow plan. Through the drawing up, implementation, and administration of these two plans, it is possible to reflect and reveal the status and problems in the implementation of the state economic plan, to guide the development of banking operations, and to give play to the role of the banks.

(1) Comprehensive Credit Plan

1. The content of this plan may be divided into the sources of capital and the uses of capital. The sources of capital include funds owned by the banks themselves, credit extended to the banks by the financial authorities, and various kinds of savings. Uses of funds include various kinds of loans, gold and silver reserves, and foreign exchange reserves.

2. Plan management system: To put into effect the unified plans of the central government and the principle of level-by-level administration by the central government and the provinces, municipalities, and autonomous regions, the head office of the People's Bank administers the annual credit plans of branch banks in the provinces, municipalities, and autonomous regions, and, within the scope of these annual credit plans, as approved by the head office, the branch banks then carry out the quarterly plans, reporting the results to the head office for the record. The credit plans of enterprises under the direct control of various ministries of the central government are administered jointly at the central government and local levels. Each branch bank in each province, municipality, and autonomous region is to conduct monthly and quarterly checks of the implementation of credit plans and, when problems are found, to take prompt action to guarantee implementation of the plan. In order better to turn to advantage the initiative and enthusiasm of branch banks in provinces, municipalities, and autonomous regions, a plan management system is currently undergoing tests for "unified planning, level-by-level administration, linkage between savings and loans, and control of differences." By this is meant the head office of the bank will only exercise control to see that branch bank credit balances are not out of line and allow branch banks to make more loans if they attract more deposits.

3. Implementation of the guarantee method for rural credit norms. Begun in 1971, this provides that, so long as depositors are guaranteed that they can withdraw funds, new annual increases of savings deposits in rural areas may be put to use by each province and used to make agricultural loans without the bank head office making further allocations.

(2) Plans for Cash Receipts and Disbursements

1. This includes cash income and cash payments. Cash income includes income from sales of commodities, income from service trades, income from rural credit, income from taxes, income from urban savings deposits, income from remittances, and other income. Cash disbursements include wages and other payments to individuals, payments for the purchase of agricultural and sideline goods, rural budgetary and credit disbursements, payments of management expenses in administering enterprises, payments for the purchase of industrial goods and mining products, payments to urban savings deposits, and payment of remittances.

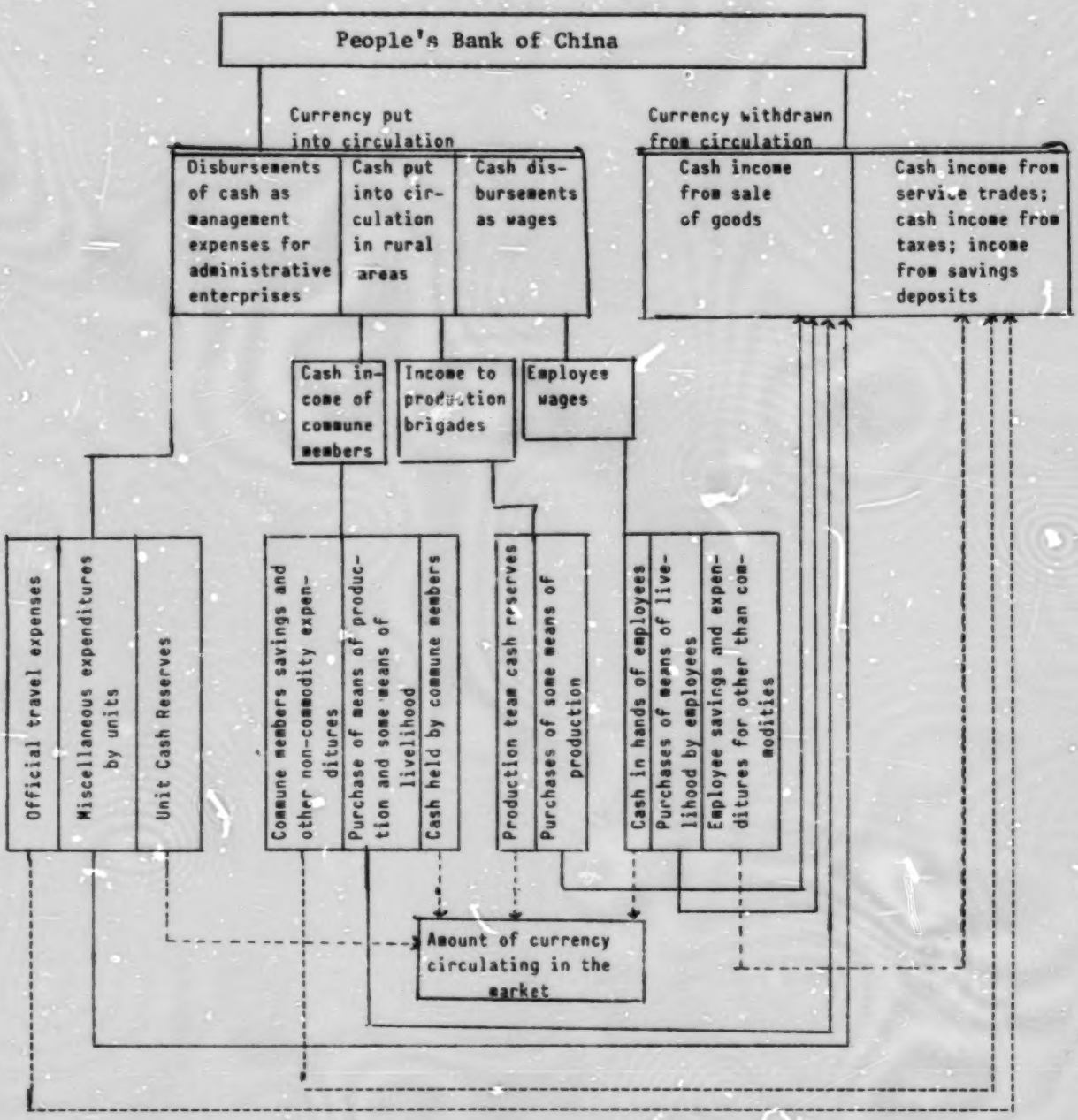
2. Plan Management System. This is virtually identical to the comprehensive credit plan management system. In accordance with the national economic plan and the annual cash plan of each province, municipality and autonomous region prepared by branch banks, the bank's head office collates cash receipts and expenditures plans for the whole country and then checks and ratifies quotas for releasing cash into circulation and quotas for withdrawal of cash from circulation for each province, municipality, and autonomous region. Each branch bank uses the approved plan to organize and take action, conducting monthly and quarterly checks, analyzing changes in cash revenues and expenditures, and studying existing problems.

9. Circulation and Regulation of Our Country's Currency

As a result of the socialist planned economy system of management in our country, the flow of funds back and forth among units, and the method of substantial use of bank transfer accounts in the settlement of accounts, cash is very little used.

Cash is used principally in payment of wages and in exchange for commodities between the state and the collective economy or individuals. Therefore, the channels for putting currency into circulation and withdrawing it from circulation are as follows:

Schematic Diagram Showing Currency Flow


People's Bank of China
Currency put into circulation
Currency withdrawn from circulation
Disbursements of cash as management expenses for administrative enterprises
Cash put into circulation in rural areas
Cash disbursements as wages
Cash income from sale of goods
Cash income from service trades; cash income from taxes; income from savings deposits
Cash income of commune members
Income to production brigades
Employee wages
Official travel expenses
Miscellaneous expenditures by units
Unit Cash Reserves
Commune members savings and other non-commodity expenditures
Purchase of means of production and some means of livelihood
Cash held by commune members
Production team cash reserves
Purchases of some means of production
Cash in hands of employees
Purchases of means of livelihood by employees
Employee savings and expenditures for other than commodities
Amount of currency circulating in the market

(1) Channels For Putting Currency Into Circulation

1. Payments of wages to employees, additional wages, and other payments to individuals;

2. Payments for the purchase of agricultural and sideline products from the collective economy of rural villages or from individual commune members;

3. Payments made for the purchase of products of plants and mines, handicraft goods, purchases of scrap and old items, purchase of gold and silver;

4. Payment of part of the business expenses (such as official travel expenses, operating expenses, miscellaneous purchase expenses, and other management expenses for the administration of enterprises) for units.

5. Money put into circulation as financial loans by the state to rural areas (such as commune investments, agricultural loans, social relief for rural areas).

Of the various means, numbers 1, 2, and 3 account for between 80 and 90 percent of the total amount of cash put into circulation.

(2) Channels for the Withdrawal of Currency From Circulation

1. Money received for the sale of goods by state-owned and collective commercial enterprises, frequently called commodity sales cash income;

2. Receipts from various service units such as railroad, bus, and boat tickets, movie and theater tickets, water and electric bill payments, and income from food and beverage service industries;

3. Tax monies collected from residents;

4. Savings of the people in the cities and the countryside, and repayment of agricultural loans.

Of the various channels, withdrawal by the sale of goods is greatest, amounting to about 70 percent.

The flow of our country's currency is stable, and this is determined principally by the following conditions.

1. A planned, proportionally developed socialist economy is the economic foundation for the stability of people's currency, and it is also the fundamental condition for the planned regulation of the flow of currency.

2. State-controlled placing of a large amount of goods in the marketplace at stable prices is the material foundation of the stability of the currency.

3. Our country adheres to the principle of annual balances between income and expenditures in its budgets with slight surpluses, and it adheres to the principle of separate management of credit funds and public funds. This is a reliable assurance of the stability of renminbi.

4. Our country has established an independent and self-governing and a centralized and unified currency system and credit system in which there is planned control over the circulation of currency. The borrowing or lending of money among units in the economy and all commercial credit, as well as credit purchases and sales is forbidden. All creditor's rights and liabilities (except for use of cash for payment of incidental expenses as stipulated in "cash management") must be conducted by bank transfer of accounts and settlement of accounts. All negotiable instruments are forbidden.

10. Cash Management

Cash management is an important financial and economic system in our country of major significance and function in stabilizing and developing the socialist economy. The state has ruled that the People's Bank of China shall enforce cash management for state-run enterprises, facilities, party and state organs, mass organizations, military units, educational institutions, and both urban and rural collective economic units, and that specialized banks holding accounts for units shall institute cash management for those units on behalf of the People's Bank of China. The main points in enforcement of cash management are as follows:

(1) Cash kept by cash management units must meet the limits for cash reserves; cash overages must be sent to the bank.

(2) In economic transactions among units, aside from petty cash expenditures in which cash may be used, all transactions must go through banks for the transfer and settling of accounts.

(3) The scope of use of cash by units will be limited mostly to payments to individuals in cities and the countryside and miscellaneous expenditures to units.

(4) Whenever a unit makes a purchase from another locale, the transaction must undergo a transfer of accounts and settlement at the bank; there is to be no carrying of cash.

(5) Units having substantial numbers of receipts and disbursements should draft a unit cash transactions plan.

Implementation of cash management helps the state banks regulate the flow of currency in a planned way, and stabilizes the market.

It allows the banks to centralize large amounts of idle capital more effectively and put it to use in support of the development of industrial and agricultural production and to expand the flow of commodities. It also cuts down on the use of cash, reduces the circulation of currency, and conserves on the amount of social labor necessary for sorting and counting, transporting, and storing banknotes.

11. Wage Fund Supervision

The State Council has empowered the People's Bank of China to supervise wage funds. All expenditures for wages paid to employees must be in line with the state labor wage plan. The labor wage plan of each unit is the responsibility of the bank at the appropriate level for supervision. Unauthorized increases in personnel,

expansion of welfare benefits, increases in subsidies, indiscriminate issuance of bonuses and other such actions that contravene state labor wage policies may be refused for cash payment on authority of the bank.

Wages account for between 50 and 60 percent of total cash disbursements in our country. If the banks supervise payments of wages, it is possible to effectively prevent an increase in the total amount of currency put into circulation as a result of authorized increases in expenditures that destroy the sta e labor wage plan, and in this way the People's Bank can more effectively regulate the circulation of currency.

12. Transfer and Settling of Accounts by the People's Bank of China

Except for cases in which cash management methods stipulate that cash may be used, all economic transactions among economic units in our country must go through the bank for transfer and settlement of accounts. Each accounting unit must maintain an account at the bank per regulations, and there must be sufficient funds in the account to guarantee expenditures.

In the transfer and settling of accounts, each unit must adhere to state economic policies, observe financial and economic discipline, and act in accordance with economic contracts. Units may not incur debts with each other, borrow money from each other, or make sales of goods on credit. Unless approved by the state, payment or receipt of payment for goods in advance is not authorized.

(1) Principles of transfer of accounts and settling of accounts:

The banks must adhere to a clearing of all goods and all monies due and to the preservation of the legitimate rights and benefits of payee and payer, and there must be no advancing of funds by the banks on their own.

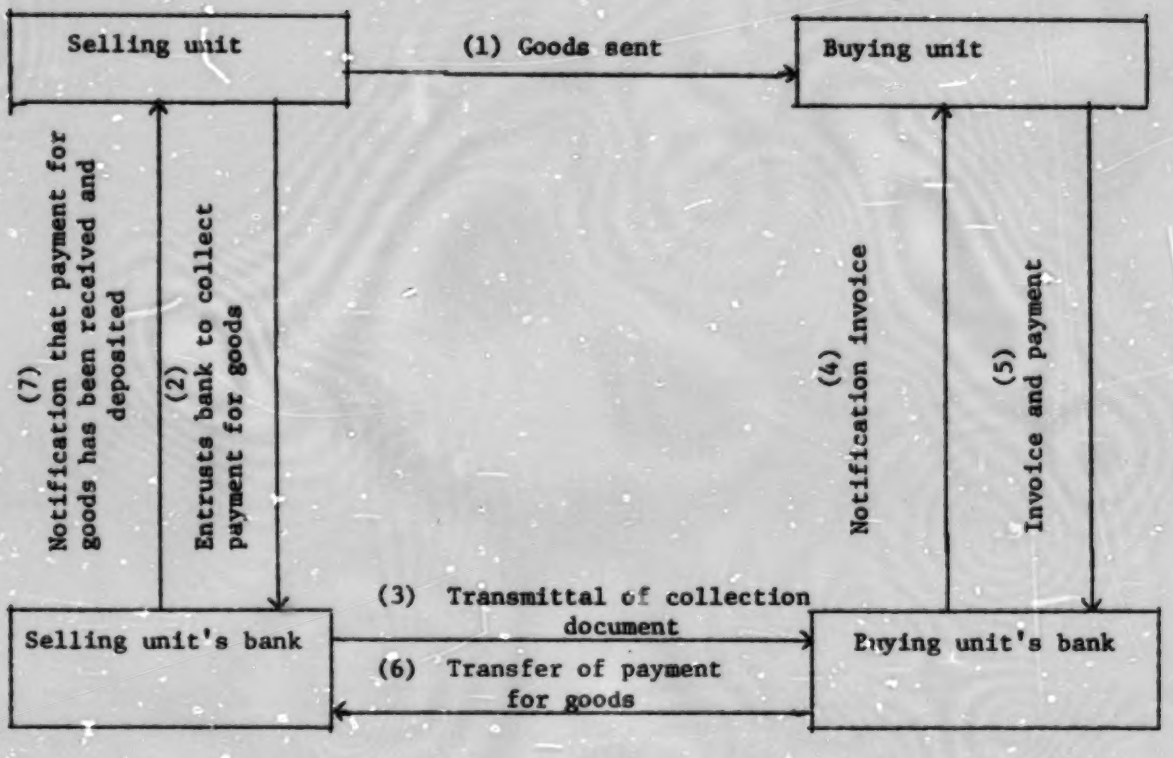
(2) Method of transferring accounts and settling accounts:

There are two methods for settling accounts: the out-of-city method and the same city method.

The out-of-city method:

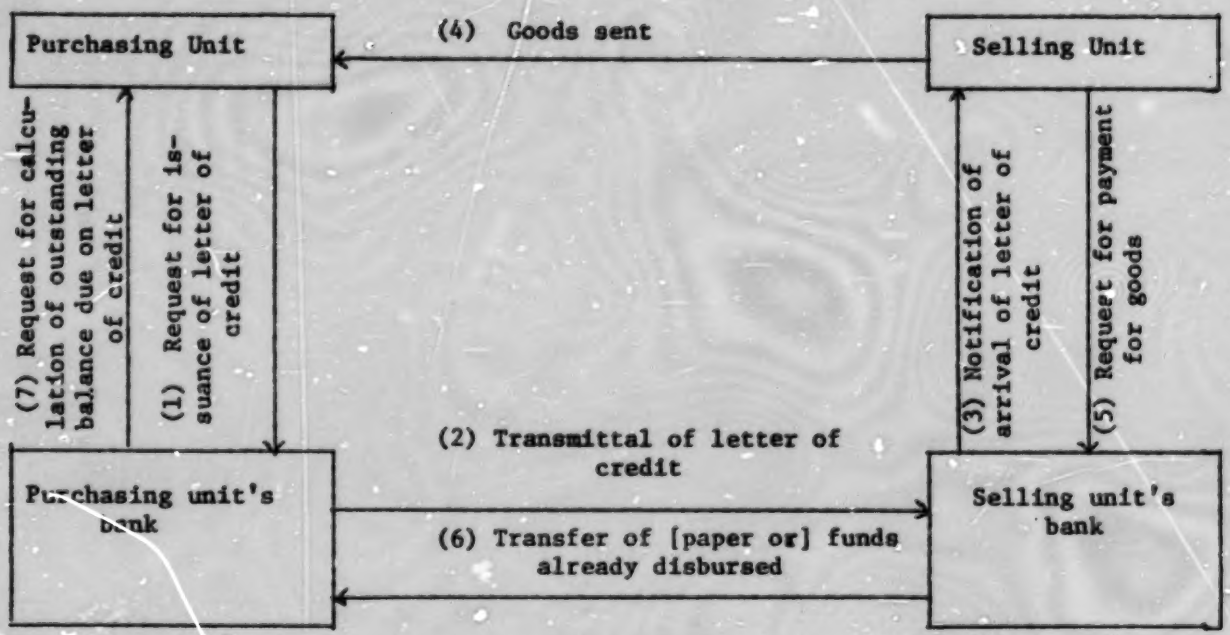
1. Out-of-city entrusting of collecting and making payment. This method of settling accounts means that once the unit to receive payment has shipped goods in accordance with an economic contract, it entrusts the bank with collection of payment from the designated paying unit in a different place. In accordance with the contract, once the paying unit checks the bill of lading or examines the merchandise, it acknowledges that payment should be made by the bank.

The procedure for settling accounts through entrusting collection and making payment is as follows:


Selling unit
(1) Goods sent
Buying unit
(7) Notification that payment for goods has been received and deposited
(2) Entrusts bank to collect payment for goods
(4) Notification invoice
(5) Invoice and payment
(3) Transmittal of collection document
Selling unit's bank
Buying unit's bank
(6) Transfer of payment for goods

Letter of Credit. The payer deposits money in advance with the bank as earnest money, requests the bank to make out a letter of credit and notify the out-of-city payee's bank to inform the payee that this has been done. After the payee has sent the goods in compliance with the contract and the conditions of the letter of credit, the bank acts on behalf of the payer to pay for the goods and settle the account. This method of settling accounts has limited use within the country.

The procedure for letter of credit settlement of account is as follows:


Purchasing Unit
(4) Goods sent
Selling Unit
(7) Request for calculation of outstanding balance due on letter of credit
(1) Request for issuance of letter of credit
(3) Notification of arrival of letter of credit
(5) Request for payment for goods
(2) Transmittal of letter of credit
Purchasing unit's bank
Selling unit's bank
(6) Transfer of [paper or] funds already disbursed

3. Remittances. This is the method of settling accounts whereby the payer requests that the bank remit a sum of money to an out-of-city payee or individual. In the allocation of funds by units, liquidation and reconciliation of old debts, current accounts, or temporary purchases, this method of settlement may be used. Remittances are of two types: mail transfer or telegraphic transfer, either of which may be chosen by the unit.

Within city settlement of accounts or within county settlement of accounts includes within city responsibility for collection and responsibility for payment, responsibility for collection without responsibility for payment, checking, limited checking, commissioning of the bank to accept payment, and commissioning the bank to make payments. Banks and units in each locale can adopt whatever method of settlement suits their actual requirements.

When production brigades and production teams of rural people's communes sell the state agricultural and sideline products, whether cash payment will be made or the transfer of account settlement method used will be in accordance with the principle of free choice and be decided by the parties themselves or else determined by the local people's government representative.

13. Interest Rates

During this historic stage of socialism, we must still use such concepts of the commodity economy as commodities, values, and costs to carry out production and construction, and enterprises have to institute economic accounting and they have to calculate value in terms of currency; consequently, credit transactions handled by state banks must calculate interest. Interest, which acts as an important economic lever, continues to play a very great role in the socialist planned economy.

The principal function of the rate of interest on bank loans in our country is to promote the utmost conservation of funds by enterprises. Most of the circulating capital needed by our country's industrial production enterprises is provided by disbursement of public funds, which are used as privately owned circulating capital. If an enterprise does a good job of management and has a quick turnover of capital, it will not require very many bank loans. But if an enterprise does not manage well and its turnover of capital is slow, it will require large amounts of loans. Since loans to enterprises require payment of interest, the enterprise will have to calculate carefully and budget strictly, not borrow if it does not have to, or borrow as little as required. It will also have to do everything possible to speed up turnover of capital so as to repay the loan early. In this way the circulation of capital throughout the entire society will be speeded up and the object of quick development of production be attained.

Payment of interest on the savings of the people is an encouragement toward thrift and conservation by the people whereby personal funds that are not being put to use temporarily are deposited in a bank and which collectively help national construction.

Since the founding of the People's Republic, bank interest rates in our country have been adjusted 12 times. As a result of the bad effects of the ultra-left line of Lin Biao and the "gang of four," the readjustment of 1971 brought an overall decline in the interest rate on loans. At that time, the interest rate on loans declined by about 30 percent and the interest rate for savings declined about 20 percent. The serious weakening of interest rate leverage definitely impaired our national economy. We are in the process of gradually changing this situation to take further advantage of the leverage of interest rates.

Current Interest Rates on Savings in China

	Description	Monthly Interest Rate %	Annual Interest Rate %
Savings Deposits by Urban and Rural Individuals	1. Urban and Rural Residents' Demand Savings	.24	2.88
	2. Urban and Rural Residents' Fixed Savings		
	Installment deposit and lump sum withdrawal	.36	4.32
	Semi-annual fixed savings	.36	4.32
	Annual fixed savings	.45	5.40
	Three year fixed savings	.51	6.12
	Five year fixed savings	.57	6.84
Overseas Chinese Renminbi Savings	Overseas Chinese Renminbi		
	Annual fixed savings	.48	5.76
	Three year fixed savings	.54	6.48
	Five year fixed savings	.60	7.20

Note: Interest rates for fixed savings deposits by residents and fixed savings deposits in renminbi by Overseas Chinese are effective as of 1 April 1980. Interest rates for residents' demand savings accounts are effective as of 1 July 1980. The effective monthly rate prior to 1 July is .18 %, and the effective annual rate is 2.16%.

Table Showing Current Savings and Loans Rates in China

	Description	Monthly Interest Rate %	Annual Interest Rate %
Savings	1. State-owned industrial, commercial, and agricultural enterprises, collective enterprises, and commune and brigade savings	.15	1.80
	2. Circulating capital of credit cooperatives deposited in banks	.27	3.24
Loans	1. Loans to state-owned industrial, and commercial enterprises and to the collective economies of cities and towns	.42	5.04
	2. Accounts settlement loans to industrial and commercial enterprises	.42	5.04
	3. Loans to grain businesses	.21	2.52
	4. Loans for use as advance purchase down payments on agricultural and sideline products	.36	4.32
	5. Loans for production expenses of state farms and communes and brigades in rural areas, and loans of circulating capital for commune and brigade production	.36	4.32
	6. Commune and brigade production equipment loans; loans for small hydroelectric power projects of communes and brigades	.18	2.16
	7. Loans to collective enterprises of intellectual youth in cities and towns (preferential treatment if negotiated for less than 2 years)	.36	4.32
	8. Bank credit cooperative loans	.18	2.16
	9. Loans by credit cooperatives to individual members	.36	4.32

Notes: (1) A preferential rate of interest is accorded loans to collective enterprises of intellectual youths in cities and towns for a period of less than 2 years. For periods of more than two years, interest is calculated as for urban collective economy loans, i.e., at a monthly interest rate of .42% and an annual interest rate of 5.04%.

(2) For overdue loans, 20 percent interest is collected.

(3) Loans exceeding the total amount of agreed upon circulating capital, and loans used for overstocking of goods will be surcharged 30 percent interest.

(4) A 50 percent interest surcharge will be made on any bank loans for cost overruns in capital construction or renovation or any other disbursements of public funds that are held back or diverted.

9432
CSO: 4006

BRIEFS

HUNAN ELECTRICITY TRANSMISSION--Changsha, 29 Nov (XINHUA)--A 132-kilometer, 220,000-volt power transmission line between Zhuzhou and Hengyang in Hunan Province became operational on 29 November. It connects the power network in central and northern Hunan with the power network in southern Hunan. [Beijing XINHUA Domestic Service in Chinese 1132 GMT 29 Nov 80 OW]

XINJIANG HYDROPOWER PLANT--A hydropower plant has been constructed in Yutian County, Xinjiang. The first generator set of 1,250 kw was put into operation on 20 November. Two more generator sets will be installed in this plant bringing the total capacity to 3,150 kw. This is the first power plant in Xinjiang using falling water from man-made gradation. [Urumqi Xinjiang Regional Service in Mandarin 1620 GMT 30 Nov 80 OW]

CSO: 4006

BRIEFS

HEILONGJIANG INDUSTRIAL PRODUCTION--Bayan county in Heilongjiang Province has earned 13 million yuan from industrial and sideline production this winter, an average of 53 yuan per household. Bayan county had a poor harvest this year. Many commune members, 52 percent more than last year, have engaged in industrial and sideline production. [SK050152 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 3 Dec 80]

CSO: 4006

CONSTRUCTION

ZHEJIANG CAPITAL CONSTRUCTION REDUCED

Hangzhou ZHEJIANG RIBAO in Chinese 14 Nov 80 p 1

[Article by Wang Weizhang [3769 4850 2874], Wang Jiquan [3769 4764 3132] and Xu Denghan [1776 4098 5060]: "Implement the Policy of Readjustment and Reduce the Scope of Capital Construction—Investment in Capital Construction Reduced by 180 Million Yuan and a Number of Key Projects Completed and Commissioned at High Speed as a Result of Stopping or Postponing Some 30 Projects"]

[Text] The scope of capital construction in the province has been reduced by implementing the policy of readjustment on the capital construction front. An overall adjustment of different projects has shown marked success in speeding up the construction of a number of key projects.

Since the beginning of 1980, people on the capital construction front of the province have conscientiously attended to the projects still under construction, reduced the scope of capital construction, stopped or postponed 33 projects that are not urgently needed and have been carried out with backward technology and serioud environmental problems but no assurance of the needed raw materials. Investment in these unfinished projects has been reduced by 180 million yuan. Reduction of overextended projects has enabled the urgently needed ones to receive greater attention. Further adjustment has also been made in the orientation of investments in local capital construction. The ratios of investments out of the total capital construction fund for various trades and undertakings are as follows: Four agriculture, increased from 25.7 percent in 1978 to 28.9 percent in 1979 and 41.7 percent in 1980; for culture, education, public health and scientific research, increased from 4.7 percent in 1978 to 6.9 percent in 1979 and 11.1 percent in 1980; and for urban construction, workers' dormitories and environmental protection, increased from 4.5 percent in 1978 to 9.3 percent in 1979 and 10 percent in 1980. The provincial planning and capital construction departments gave priority to the design and construction of key projects waiting to be commissioned. The full supply of construction materials required for local key projects was directly organized by the province which aslo made every possible effort to solve problems of shortage of materials for projects undertaken by its affiliated departments. The effective measures taken have greatly aroused the enthusiasm of the construction, design and work units and helped speed up the construction considerably. From January to October, 81.8 percent of the annual investment plan was completed in the province. Of the seven projects required by the state for full commission or single item commission within 1980, three of

them have been completed and commissioned, while another three have been basically completed. Power transmission and transformation for the remaining one have also been partially completed. Work on some large and medium-size projects including the Beilun Harbor, Taizhou Power Plant, and the Fonghua Reservoir is proceeding according to or ahead of schedule. The productive capacity generated on the capital construction front of the province are: 1,500 tons of short adheresive fibers; 5,000 spindles of fine textile wool; 10 million meters of printed and dyed polyester cotton; 10 million meters of dyed silk and satins; 58,500 kws of installed generating power capacity, 180 kilometers of 110,000 and 220,000 volt transmission and power lines of 15.15 kilovolt-ampere, 60,000 tons of cement, 40,000 TV sets, and a daily supply of 75,000 tons of water. In the privince, a floor space of 1.15 million square meters, an increase of 29.6 percent, has been completed. This addition was 62 percent over that of the same period in 1979.

Although some success has been achieved in the province in readjusting capital construction and in insuring the operation of key projects, the number of capital construction projects is still excessive, and the scope too large, while projects financed through various channels outside the state budget are still many. The situation of construction projects being blindly undertaken or being duplicated is still serious, and the practice of failing to follow the proper capital construction procedure has not yet been effectively checked. The provincial departments concerned called on leaders at various levels to pay attention to these matters, and to continue to adopt effective measures to reduce the scope of capital construction in order to insure the commissioning of the key projects and fulfillment of the tasks concerning electric power, communications, construction materials, residential housing, culture and education, and urban construction in the province.

9411
CSO: 4006

DOMESTIC TRADE

REOPENING OF GUANGZHOU DEPARTMENT STORES FOUND DIFFICULT

Beijing RENMIN RIBAO in Chinese 16 Nov 80 p 2

[Article by GUANGZHOU RIBAO reporter Feng Bingzhong [7458 3521 0112] and GUANGZHOU RIBAO correspondent Liu Hanwen [0491 3352 2428]: "Why Is It So Difficult to Reopen Department Stores in Guangzhou?"]

[Text] Editor's note: Guangzhou is not the only city experiencing difficulty in restoring the commercial service network. Why the difficulty? Mainly because of the profound effects of the erroneous guiding thought "production first, livelihood later" and the problem of serious imbalance between the "bones" and the "flesh" which has not been solved. We must take a serious view of this problem, adopt practical measures and endeavor to restore and develop the commercial service network in order to provide greater convenience to people's daily living.

People always said that it is difficult to buy anything in Guangzhou. Why so? The commercial service network is too small! We heard long ago that several respectable department stores in Guangzhou including Wenchang, Changshou and Taibo were ready to be reopened. However, after contacting several departments concerned for information, we began to realize the difficulty of buying things and restoring the commercial service network in Guangzhou! According to the existing system of economic management, controls by both the central and the local governments have all become independent. The people in control are constantly bickering among themselves over various problems and it is hard to figure out the time required for the red tapes to get things settled. If you have any doubt on this point, please look at the following facts:

The Wenchang Supermarket, formerly located at a central business section and having a floor space of nearly 1,000 square meters, had a fairly complete assortment of minor commodities. Because of the interference and disruption by the ultra-leftist line pushed by Lin Biao and the "gang of four" in 1970, this store was closed, and the area thus vacated was taken over by the Jujiang Rubber Plant. The disappearance of this time-honored store caused great inconvenience to many people. Furthermore, the existence of a rubber plant in a central business district also caused serious environmental pollution. Therefore, many units and residents in the neighborhood wrote letters to the authorities strongly demanding

the removal of the plant and the reopening of Wenchang Supermarket. On 23 February 1973, the Guangzhou Municipal CCP Committee reached a decision whereby the plant should return the land to the commercial department. Yet, for many years, this problem remained unsolved because of bureaucracy above and departmental feuds below. In 1978, acting in accordance with the spirit of the municipal party committee's decision on restoring the commercial service network, the department concerned sent people to the plant to follow up this matter. The plant's reply was that it had to wait until 1985 before the new plant buildings will be ready for its removal. People cannot help but ask: If we count from 1973, when the municipal party committee decided on the return of the plant's land to the supermarket, to 1985, when the plant will be ready to move, isn't it exactly 13 years? If it takes three five-year palns for one supermarket to be reopened, then when can we expect to accomplish our four modernizations!

Now let us talk about Changshou Supermarket. It was located in the central section of Changshou Road and occupied more than 900 square meters of land. It was a small department store engaged in both wholesale and retail business, and much welcomed by the masses. Unfortunately, it too was closed in 1970. In September and December 1978, the leading comrades of Guangzhou Municipal CCP Committee restudied the question of reopening this store and even held an on-the-spot meeting for this purpose. The decision reached was that the Lijiwan District had to tear down and rebuild the premises and then hand over the first and second floors to the commercial department to be used for the reopening of the Changshou Department Store. However, the Lijiwan District Capital Construction Staff Office and some units concerned insisted on retaining the first floor to be used as their offices and the second floor to be used as their dormitories. The commercial department positively objected, and the units concerned then reluctantly agreed to the use of the first floor for the reopening of Changshou Department Store. The area of the first floor was only 300 square meters, and the commercial department insisted on recovering the original 900 square meters. Thus began another round of red tapes and the ultimate fate of Changshou Supermarket still remains uncertain!

Restoration of the commercial service network is an important matter concerning the livelihood of thousands upon thousands of people. The commercial department should take positive action, but it has also to rely on support from various quarters. As we understand, there were 54,000 commercial service centers in Guangzhou in 1950 and the number of commercial workers reached 138,000. At that time, Guangzhou's population was 1.1 million. In other words, there were nearly five commercial service centers with 12 commercial workers for every 100 residents. After 1958, however, the hasty "transition" caused a reduction of service centers, and by 1963, there were only 0.7 service centers left with less than 6 workers for every 100 residents. During the "10-year catastrophy" in particular, the number of commercial service centers was drastically cut so that by 1979, when the urban population had already exceeded 2.1 million, there remained only some 8,500 such service centers (including some 4,000 run by individuals), with some 96,000 workers, averaging 0.4 centers and 4.4 workers for every 100 residents. This was the cause of difficulties for the broad masses in shopping, in eating, in getting hair-cuts, in ordering dresses, in repairing utensils and so forth. The masses have strong feelings about this. Therefore, in restoring the commercial service network, we must adopt positive and effective measures and hope that the time spent by the units concerned in departmental feuds will be utilized for the solution of real problems. They should bear in mind the overall situation, get rid of their bureaucratic air, and avoid the evil practice of "chocking" one another. Only thus can they rapidly restore the commercial service network.

9411
CSO: 4006

TASKS, GOALS OF HIGHWAY MODERNIZATION DISCUSSED

Necessity For Modernization

Beijing GONGLU [HIGHWAY] in Chinese No 9, 25 Sep 80 pp 2-5

[Article by Wang Zhanyi [3769 1455 1942]: "Speaking of the Question of Highway Modernization in Our Country"]

[Text] Highways are an important component of the communications and transport system, and the quantity, quality and layout of highways have a close bearing on the various departments of the national economy. Therefore, in the march toward the four modernizations, it is quite necessary to conscientiously discuss the tasks and goals of highway modernization in our country and the relevant measures to be taken for this purpose. However, since this is a sweeping question and individual knowledge is limited, I can only offer several crude ideas concerning part of the requirements.

The Absolute Necessity of Highway Modernization

There are mainly five forms of modern transportation, namely, railway, highway, water transport, air transport and tube. They are mutually supplementary and each has its own merits.

However, since highway transport is least restricted by other conditions and its high flexibility can bring it deep into any nook and corner, the development of highways has been quite rapid. Since the birth of the first motor vehicle, every country has built its own network of highways in varying degrees and the total mileage of highways in the world has exceeded 22 million kilometers, while the ratio of highway passenger and cargo traffic has continued to rise. Along with the development of industrial and agricultural production, the improvement of science and technology, the rapid increase of traffic, and the growth of motor vehicles in both size and speed after World War II, highway construction has entered a new phase. Nowadays, the condition of highways has become a symbol of the economic standing and national strength of a country.

How is the situation of our highways? Under the party's leadership since the founding of New China, we have done a great deal of work on highway construction. For various reasons, however, our highways are still very backward. Compared with foreign countries, according to statistics available, our country ranks 50th in the

world in the density of highways, and is below not only the industrially developed countries, but also other countries like Brazil and India (India has 46 kilometers of highways while we have only 9 kilometers for every 100 square kilometer). Now let us compare our highway development with our national economic growth and the growth of the automobile industry. In the past 30 years, our gross national production in comparable terms was increased 15 times, and the increase of civilian vehicles was maintained at 31 times. Yet the increase of highway mileage was increased only 10 times. There are now two counties and more than 4,000 people's communes still inaccessible by motor vehicles, and the problem of travel in some regions is still unsolved. At the same time, the existing highways are of a low standard and inferior quality, while traffic is unsafe in many sections. Such conditions have already seriously affected industrial and agricultural developments and caused appalling losses. For example, indigenous and special products are plentiful in many large mountainous areas and old revolutionary bases. Here, the mountains are full of cogongrasses which, if transported out, are good materials for paper making. Yet without highways, they are only left to rot in the mountains. Again, there are many favorable conditions for developing small hydropower in various southern provinces. Because of transportation handicaps, however, it is difficult to bring in the generating equipment or to put up high tension wires. The development of production and construction is thus hampered. After all, how can agricultural modernization be accomplished by relying on people's shoulders and carrying poles as the means of transportation?! Near the large cities, the sharp increase of vehicles without corresponding improvement in the standard and quality of highways has been the cause of increased accidents, and traffic jams are becoming more and more serious. In some sections, vehicle speed has to be reduced to only about 20 kilometers per hour. Transport efficiency is much reduced, since the most economical speed for the Liberation Brand cars is 60 kilometers per hour, according to the result of research. Because of poor highways, however, the average speed per hour for freight hauling vehicles is only 28-30 kilometers, being only one half of the most economic speed. There are more than 1 million civilian trucks in the country, and it is easy to imagine what a tremendous waste this is each year! Furthermore, in preparedness against war, support for the front and rescue work, the losses incurred from disjointed or impassable roads cannot be calculated in terms of money. Hereafter, along with the development of production and the improvement of people's living conditions, the volume of freight traffic will increase greatly and people's travel will be more frequent. Therefore, an early change of the highway backwardness and a speedy realization of highway modernization is an absolute necessity which cannot be taken lightly.

Tasks and Goal for this Century

Speaking of modernization, we must be fired with a lofty aspiration and make every effort to catch up, and surpass, the advanced world level. We must seek truth from facts and advance steadily. In view of our large population and low productivity, we can only expect an average per capita income of 1,000 dollars by the turn of the century. Therefore, our highway modernization can only be a modest one. Based on these hard facts, we should strive for the following goal by 2000: The construction of 100,000 kilometers of national highway as the framework with a rational layout and good coordination between the branch and the trunk roads in an all-embracing network throughout the country. The total highway mileage should reach 1.4 million or 1.5 million kilometers, so that the quantity, quality and traffic capacity of highways will be commensurate with the current development of national economy. The following should be included in the specific plans:

1. There should be marked improvement of traffic conditions in the vast frontier regions, mountainous areas and old revolutionary bases. Except for the areas within the waterway network and areas with light traffic, every commune should be accessible by motor vehicles or tractors in order that materials can be easily transported in and out. Then communications and transportation will no longer be an obstacle to the development of mountainous areas and production.

2. For highways at and above the county level, we should strive to conform to the technical standard stipulated by the state. There should be basically permanent bridges and culverts, asphalt roads, mechanical or semimechanical road maintenance, and tree planting in the suitable sections. Approximately 90 percent of all highways should be in good condition.

3. The vast majority of trunk roads (including national trunk roads and provincial trunk roads as planned) should conform to the standard of third-grade road. Among these trunk roads, there should be 60,000-80,000 kilometers of first- or second-grade roads, and ferries should be replaced by bridges. Furthermore, in sections near large cities or important ports where traffic is particularly heavy, some expressways should be selectively built.

4. Instruments for aerial photographing, modern surveying and prospecting, electronic computing technology and light-reflecting signs should be extensively used by the highway departments, and we are mainly self-sufficient in special mechanical equipment. The work of scientific research, design, special education, and technical training is now adequate to the development of highway, and the situation of low technical level and poor management has been basically changed.

Can these achievements be called the goal of the Chinese-style highway modernization within the century? As to whether or not this goal can be attained, we have also conducted a preliminary analysis. With regard to the speed of development, we should repair or build an average of about 30,000 kilometers each year, and this is only equivalent to the speed already attained in the past 10 years, although construction hereafter may be more arduous. However, in view of the present rapid developments in the countryside and the people's enthusiasm to build roads in the mountainous areas, this task can be accomplished provided positive organization and support is given. The task of improving highways is now heavier than ever; but we have accumulated sufficient experience. For example, around 1962, the overwhelming majority of our highways used wooden bridges and only 2,000 kilometers of these highways had asphalt surface. After some 10 years effort, we built more than a million meters of bridges and surfaced nearly 150,000 kilometers of roads with asphalt. Permanent bridges now account for 92.6 percent, while asphalt roads account for 17 percent of the total number. These are our important achievements in technical transformation. The present political and economic situations throughout the country are better than ever, and the material conditions of the highway departments have also been improved. Therefore, the technical questions of high standard construction and good quality for highways have been basically solved. As long as we conscientiously implement the party's lines, principles and policies, become united as one, and devote undivided attention to the task of modernization, our goal can certainly be attained.

The Policy of Combining Popularization with the Raising of Standard

In the past, our policy on highway construction was quite one-sided. Particularly after 1958, "straight, special and high" was criticized, while "local, mass and popular" were advocated with overstress on the local and decentralized nature of highways and disregard for a unified and overall arrangement. The impression thus created was that road building was purely a task for the localities without the need for control by any central authorities, and that as long as the masses could be mobilized, professional teams were unnecessary. Neither the standardization of highways nor the problems of quality or technology received due attention. Therefore, although the total mileage of highways in the country has reached 980,000 kilometers, the network of main trunk roads has not yet been formed, and the first- and second-grade highways total only some 10,000 kilometers. All these facts show the need for a unified plan and differentiated administration for highway construction with equal stress on repair and maintenance and for a policy of combining popularization with the raising of standard. In other words, highways should be classified according to the nature of their use into national trunk roads, provincial trunk roads, county highways and commune highways to be administered at different levels. National trunk roads should be included in the unified planning of the central government according to a unified technical standard. Based on the unified arrangement and requirements of the state, each province, municipality and autonomous region should be responsible for the construction, maintenance and administration of its highways. High standard and large scale construction jobs on important roads with dead ends, large independent bridges and hazardous bottlenecks should be included in the state capital construction planning. The administration and sharing of duties for highways of other grades should be based on the same principle in order to attain a clear demarcation of jobs with clearly defined responsibility for all concerned. Only thus can we fully arouse enthusiasm in various quarters and promote the development of highways with greater, faster, better and more economical results. At the same time, we should correctly handle the relationship between repairs and maintenance and between popularization and the raising of standard. We must resolutely overcome the tendency toward stressing repairs and neglecting maintenance, and must ideologically, physically as well as materially strengthen the maintenance and administration of the completed highways in order to insure that the roads are properly surfaced, the bridges and culverts are in good order, the road signs are complete, and the vehicle traffic is smooth. On this basis, we can build new highways in a planned way according to our requirement and capability. In building new roads, stress should be laid on the frontier and mountainous regions, the old revolutionary bases and the dead ends on some trunk roads in order to solve the problem of traffic obstruction. In raising standards, serious attention should be paid to the trunk roads and especially those sections with heavy traffic near large and medium-size cities and important industrial and mining districts. At present, we should be particularly careful with the raising of standards and the quality of road surfacing. This is an important factor in improving driving conditions. In the past 10 years and more, when we were short of asphalt, we resorted to the second best method of surfacing with residual oil. The orientation of this method was correct and its achievement cannot be denied. In some areas where roads were surfaced with residual oil, however, we overstepped the mark in the quest for quantity and the practice of economy and neglected the need for standards and quality. We overlooked the complex technical nature with the result that problems of excessive oil and unevennes became quite

acute. Some roads repaired in the first year deteriorated in the second, thus requiring repeated repairs and causing waste. We have talked about this problem for many years, but it still remains unsolved. Therefore, we must reiterate the need to conscientiously implement the "quality-first" policy, strengthen technical management, and strictly follow the rules of operation in order to pass the quality test. Hereafter, we should rather undertake less surfacing if conditions do not permit. We must insure the quality of every kilometer of road surfaced in order to avoid further accidents from poor road quality. Furthermore, residual oil after all can only serve as an expedient substitute because of its inherent weaknesses (such as excessive wax and insufficient adheresive strength to prevent cracking) and cannot be the ideal material for road surfacing. We must bring this to the serious attention of the departments concerned so that some joint efforts can be made to solve the problem of asphalt supply for road surfacing. This will enhance the quality and durability of asphalt roads. Through measures suitable to the localities, we can also build roads with cement and stone-block surface. All these are effective measures to improve the quality of highways and should be rationally adopted after due research and economic analysis, and in accordance with practical overall planning and consideration, so that full advantage of the strong points can be taken.

To suit the four modernizations, it is entirely necessary to build expressways, or first-grade highways, selectively and in a planned way. This is an important measure to relieve traffic congestion near large and medium-size cities, to give full scope to vehicle efficiency, to reduce accidents, to conserve energy, and to lower transportation costs. Its economic results are quite obvious (on this point, the press has carried leading articles). We must objectively recognize the superiority of expressways and actively complete the preparations for building them. As the situation in our country actually stands, there are few small sedans, while we are short of steel materials and economically poor. The standard of our present expressways should be lower than those of the United States, West Germany and Japan, and some auxiliary facilities, such as steel railings, special telephones, television monitors and so forth, need not be installed all at once. Instead, they can be installed by stages and gradually perfected. An alternative is to follow the layout and gradient of expressways first and build the rest according to the standard of first-grade highways. When conditions permit, we can then reconstruct them into expressways. In this way, we can meet the requirements of the immediate future and save a lot of money.

The Spirit of Hard Struggle and Practice of Economy for National Construction

The task to accomplish highway modernization is an arduous one and requires a lot of funds. Since we have economic difficulties at present, it is unlikely that our investment in capital construction can be amply increased within the near future. We cannot afford to "wait, rely on others or demand." Instead, we should continue to develop the spirit of self-reliance, hard struggle, and practice of economy for national construction and continue to make the best use of our existing manpower, and material and financial resources. We should conscientiously implement the policy of government support for civilian projects with the civilians undertaking the work and administration, and try every means to lower the cost of road maintenance and construction so that we can achieve more by spending less. At present, some provinces and municipalities can collect road maintenance fees to the

amount of approximately 100 million yuan annually. This is the main source of income for road maintenance and improvement and must be properly handled, controlled and used in the spirit of using the road to maintain the road and putting special funds to special use. Provided the roads are regularly maintained, we can try our best to save some money to carry out technical renovation on the highways. This undertaking has a promising future. Shandong, Hebei, Liaoning and Beijing--three provinces and one municipality--for example, adopted this method in the past 10 and more years to raise some 4,000 kilometers of sub-standard highways to second-grade highways besides building some first-grade roads. This is, in my opinion, a remarkable step forward in modernization. We should sum up our experiences, develop our achievements and continue to advance. At the same time, we must thoroughly arouse the enthusiasm of the road squads so that they will consider the highway as their homes and road maintenance as their profession. Then on the basis of insuring good road conditions, they can boldly launch the "five-one" activities (namely, repairing one section of bad road, widening one section of road foundation, smoothing out one sharp turn, leveling one slope and repairing one culvert each year), and attend to the details with their pooled resources. If each squad will attend to one section of road, then the accumulated achievements of several hundreds of thousands of squads in the country working perseveringly for 10 or 20 years will be tremendous. This was the pioneering spirit which inspired the Jiajia Road Maintenance Section in Xizang Autonomous Region in turning a very crudely built road into a standard highway.

To save money and material in building or reconstructing highways, we must conduct careful study and investigations, pay attention to economic results, and do a really good job in surveying and design. We must take full advantage of the topography and the old roads, work out measures suitable to local conditions, collect locally available materials, and then choose the best design. We should also be guided by the volume of the expected traffic and carry out projects in the order of their relative urgency. We should do what we are capable of doing and then concentrate all forces to fight a battle of annihilation so as to reduce the construction cycle to a minimum.

The very high costs of road maintenance and construction at present are inconsistent with the spirit of national construction through the practice of economy. This situation is largely attributed to the poor attitude of the departments concerned toward work as well as the low level of technology and management. Therefore, we must adopt effective measures to streamline the leading bodies at various levels, consolidate the ranks and pay attention to technical and vocational training. We should call on the broad masses of workers and staff members to carry forward their glorious tradition of "defying difficulty and working hard to build roads," to study diligently and to work with great zeal. They should seriously study and adopt new techniques, new process and new materials and learn the scientific method of management, which, once mastered, will become a great material force. The method, proposed by Vice Minister Pan Qi [3382 3825] in his open letter, of wide opening the avenue to "look for rice to cook meals" and of accepting construction contracts abroad and providing labor for foreign countries is a positive and practical one. Since the beginning of 1980, the ministry has already allocated part of its personnel for this purpose and sent them on different occasions to Iraq and Yemen Arab Republic as contractors for bridge and road construction. They have already gained some initial success. The comrades of the

first and the second highway construction bureaus, having little assignment of road construction from the state, have, on the one hand, organized training programs and, on the other, dispatched their personnel to establish active contacts with various departments and to undertake engineering projects for the water conservation and electric power departments. We should hereafter continue our efforts in this direction. At the same time, the departments in charge should arrange certain tasks for the professional contingents so that they do not have to be on roving missions throughout the year in looking for only temporary means of living. It is also necessary to solve the problem of establishing bases and providing welfare facilities. Only thus can we build good contingents and make due contributions to highway modernization.

Several Problems That Should Be Studied and Solved

The many problems involved in highway construction, maintenance and administration mainly concern the communications departments and we need not dwell on them here. However, the following two points are offered for the consideration of the relevant departments of the state:

1. We must conscientiously study and correctly recognize the position and role of highways in the national economy. We should conduct economic analyses on all aspects from rational transportation and energy conservation to the speeding up of material circulation, and have a firm grasp of the advantageous as well as disadvantageous elements in railway, highway, waterway, aviation and tube transport. We should strike an overall balance, develop the strong points and suppress the weaknesses, and allocate the funds in a planned and proportionate way. Based on data from foreign sources and our own experience in the past 30 years, state investments in highway construction should not be less than 3 percent of the total capital construction fund. If there is difficulty with the source of funds, it is permissible to levy surtax on the sale of tires (or fuel) and cars, and this revenue should be placed at the disposal of the state as road construction fund.

2. Active development of asphalt roads is an important measure for improving highway quality and accomplishing highway modernization with good economic results. According to investigations conducted, asphalt roads, compared with dirt roads, can help reduce fuel consumption by 15 percent, enable the tires to run 30,000-50,000 additional kilometers, and lower transportation costs by approximately 20 percent. Furthermore, asphalt roads are more healthy for the people and crops, and the money required for road surfacing can come out of the road maintenance fund. This is truly beneficial to the state as well as the people. As long as we have a sufficient supply of asphalt, we can certainly bring about a profound change to our highways after 10 years' effort. We have approached the departments concerned on this matter many times, but so far it has received no serious consideration. We earnestly hope that the State Planning Commission and the Ministry of Petroleum Industry will give the required support and assistance in finding a solution.

Methods of Chinese-style Modernization

Beijing GONGLU [HIGHWAY] in Chinese No 9, 25 Sep 80 pp 6-8

[Article by Xian Highway Academy: "Some Opinions on Chinese-Style Highway Modernization"]

[Text] After reading Comrade Pan Qi's open letter to the editors, authors and readers of GONGLU, we strongly feel the urgent need to solve the very important

problem of Chinese-style modernization of highways. We have held a symposium, attended by some of our teachers, to discuss the questions raised in the open letter. The opinions expressed are compiled and presented as follows:

1. The Vision of Chinese-Style Modernization of Highways

We are of the opinion that in concept, modernization of highways should be interpreted as the use of modern science and technology for the planning, designing, construction and maintenance of highways and their use for transport, as shown by the use of modern science and technology for planning the networks of communications and highway transport; the use of aerial photographing for surveying; the use of electronic computers for optimum design and blueprint making; the extensive use of electronic technology, lasser, ultra-red rays and microwave devices for highway survey; mechanization in construction and maintenance; the use of automatic control in communications and transportation; and so forth.

On the other hand, modernization of highways cannot be measured merely in terms of the total highway mileage or the total number of vehicles. Although some industrially developed countries have long mileages of highways and large numbers of vehicles, their utilization is not necessarily rational. According to the concrete conditions in our country (such as large population, many mountains and little farmland), it is neither feasible nor advisable to build too many highways. The key to modernization lies in rational utilization. In other words, the concept of highway modernization should be expressed, on the one hand, in terms of quantity, and, on the other hand, in terms of rationality. The so-called rationality includes rationality of the layout of highways, planning for the highway network, the technical grading and standard of highways, and the administration of highway transport. To achieve rationality, we must use systems engineering as the basis, and economic research and traffic research as the prerequisite, and then plan the network of highways on the basis of an overall plan for communications and transportation.

2. The Question of Expressways

Is it necessary to build expressways? This question must be approached realisitically. In other words, the decision must be based on political, economic and national defense requirements.

According to present conditions in the country, there is still no need for many expressways for the following reasons: (1) There are not many small cars in our country and no big development is expected in the next 10 or 20 years. Furthermore, the technical and economical speed of trucks produced in China is only 50-60 kilometers per hour. (2) Expressways are costly and take up much space. Since ours is a poor country with not much farmland, it is not desirable to build many of them unless absolutely necessary (that is, except when traffic has been developed to a certain stage). (3) Vehicles driven at a high speed consume more fuel and are not consistent with the spirit of energy conservation.

Nevertheless, expressways to a certain extent reflect on the country's level of science and technology, and the innovations in various aspects of communications and transportation will provide a strong impetus to the building of expressways. Therefore, we may build some expressways to connect large cities.

Furthermore, some expressways can be built by stages, namely, the routing to be designed according to the standard of expressways; the width to be gradually increased, and the multi-layer crossings to be built later. The technical standard for building expressways should be decided after studying foreign experiences and then adapting them to the characteristics of our country.

3. The Question of Increasing Existing Highway Traffic Capacity

China now has 890,000 kilometers of highways. This mileage is by no means small, considering the number of vehicles we have. However, because of the low technical level (only approximately 50 percent of them are up to the required standard), the poor technical performances, and, above all, the interference from nonmotorized vehicles near the cities and the lax traffic control, the highway traffic capacity cannot meet the designed requirements.

Therefore, we feel that the efforts in highway construction now should be focused on the improvement of existing highways, including the raising of the technical standard of routing, widening the roads, leveling the road surface, and reconstructing or widening the bridges.

It should be strongly pointed out that mixed traffic can affect driving speed and safety, aside from the key issue of traffic capacity. This problem must be carefully attended to. On trunk roads with fairly heavy traffic, we can adopt the method of dividing into lanes so that vehicles driving at different speeds can take different lanes. If conditions permit, new lanes can be added for slow moving vehicles. At the same time, we must strengthen the legal system, enforce traffic regulations, and fine the violators. We feel that the experience of Nanjing Liuhe Highway deserves to be used as reference.

4. The Question of Developing Highway Traffic

In some industrially developed countries, highway transport develops fairly rapidly and occupies the dominating position in the entire communications and transportation system. In our country, the outlook for highway traffic development is quite dim because of the high transport charges, the many transportation departments operating under capacity, and the very low utilization rate of vehicles. At the same time, the ratio of nonmotorized vehicles is still quite high, and many diesel burning farm tractors are "running roughshod" on the road. What are the causes of this abnormal situation? In our opinion, the main cause is that because of the exhorbitant costs of motor vehicle transport, these vehicles are in no position to compete with the backward and outdated means of transportation. There are many causes for the high cost of motor vehicle transportation, and the high cost of fuel is one of them. This problem deserves consideration by the planning departments. Anyway, unless the competitive power of motor vehicles is increased, the backward means of transport on the road cannot be eliminated. Then there can be no modernization to speak of.

There are many bicycles near the cities, and this fact must be borne in mind in designing and building highways. It would be best to open special roads for bicycles. This will eliminate interferences to motor vehicles and insure personal safety. Since the flow of bicycle traffic is relatively small, it is possible to widen the pavement and mark out a lane for them.

5. The Question of Roads in the Countryside

Roads in the countryside are an important component of the entire road network and play an important role in developing agriculture as well as linking the countryside with cities in material circulation. Therefore, they must be included in the overall plan of a county.

However, road building in the countryside should also follow economic laws, and the volume of traffic must be large enough to justify highway building. Then, is the proposal "all communes accessible by highways" logical? What will be the economic effects after all? These questions deserve consideration particularly because the communes and production brigades now inaccessible by highways are generally located in mountainous areas with difficult terrains. The job of highway construction here must be arduous, and the expect traffic may not be heavy. Thus the heavy investments on highways may yield only small benefits. Under such circumstances, we may build some roads for push carts and tractors, and their routing can follow the plan of "crawling along locally" or "going around the mountain." The materials and funds required may be obtained through the "civilian undertaking with government support." In some cases, helicopters can be used for periodical transport of passengers and freight.

6. Several Questions Concerning Strengthening Management

(1) Set up and perfect enterprise management. Instead of following the superiors' orders, enterprise management should be based on a scientific approach, observe economic laws and strictly enforce all the rules and regulations, such as in strictly following the procedures of design and strengthening the organization of jobs in construction, planning in management, and the system of economic accounting.

(2) The need for competition. For design, the method of inviting tenders can be used. Each design units should offer its own plan for selection in the spirit of "letting a hundred schools of thought contend." For construction, the system of contracts can be used.

(3) Judicious use of road maintenance fees. At present, several hundreds of millions of yuan are collected in the country each year. If the total amount is used for improving the highway, a lot of work can be done. However, the practice of using the money for other purposes is quite common. This must be corrected. Since the revenues from road maintenance fees in different provinces are quite uneven, it is proposed that each province should turn in part of their proceeds from this source to the Ministry of Communications which in turn will use it to subsidize the provinces according to individual requirements. Part of this money can also be used for repairing the "roads with dead ends" between provinces.

7. The Question of Personnel Training

To accomplish modernization of highways, we must first train a contingent of personnel competent in modern science and technology. The Ministry of Communications should strengthen its leadership over its affiliated colleges and appropriately increase their expenses with priority to the installation of modern instruments and equipment. The training of teachers should be highly regarded. For example, they can study abroad, and the institutes of higher learning should be granted the privilege of sending their personnel to join study groups or to participate in academic discussions.

What is urgently needed now is a definite plan for national and provincial networks. In order that such a plan can be logical, much research, analysis and study are needed. We are not yet masters of this technology and must train our personnel rapidly. The study of such frontier sciences as systems engineering and the science of the future should be undertaken in the light of our requirements.

Furthermore, while our task of highway construction is not yet too heavy, all production units should open more training classes in order to raise the technological level and to suit the four modernizations. All highway academies should try to start various forms of technical education, such as correspondence schools and sparetime schools, as soon as possible. The People's Communications Publishing House should in a planned way publish relevant technical books from both domestic and foreign sources to satisfy the thirst for knowledge among the broad masses of readers.

(Written by Zhang Dengliang [1728 4098 5328])

Training for Highway Workers

Beijing GONGLU [HIGHWAYS] in Chinese No 9, 25 Sep 80 pp 8-10

[Article by Gong Fusheng [7895 1381 3932] of Fengxin Section Jiangxi Provincial Highways: "Good Training for All Highway Departments' Personnel Is Extremely Urgent"]

[Text] To strive for Chinese-style modernization of highways, we must form a work contingent suitable for such a purpose. This is an extremely urgent matter. From now on, I think, the training of all cadres, workers and staff members should be included in the meeting agenda and this job must be carefully attended to. We cannot afford to treat this matter lightly again.

1. Why Is the Training of All Workers and Staff Members of the Highway Departments Considered An Extremely Urgent Matter?

The answer to this question can be found from the following four aspects:

First, let us take a look from the standpoint of the cultural level of the workers' rank in the highway departments. Among the workers and staff members in our section, for example, 41.7 percent of them are illiterate and semi-illiterate; 31.7 percent of them have received only higher primary school education; 26.5 percent of them

have received secondary or high school (including secondary technical school) education; but none of them are university or technical college graduates. Compared with their counterparts in other units on the industrial and communications front in the county, the cultural level of our workers and staff members is low. Except for the provincial highway bureau and branch highway bureau where technicians and well-educated people are many, the cultural level of workers and staff members in units at or below the section level of the highway departments, to my knowledge, is low or generally below the secondary school level. There are two main causes for this low cultural level: First, at the time of recruitment, the highway departments paid no attention to the educational background of the applicants, and no such test has ever been conducted. Secondly, after the recruitment, the need to wipe out illiteracy and to conduct technical training or technical evaluation was overlooked.

Next, let us look at the technical level of the highway workers and staff members. According to regulations on the allocation of technical personnel in our provincial highway bureau, three technicians are required and assigned to the highway section to take care of the maintenance of every 100 kilometers of highway. Based on this arrangement, our section is still short of the required technical strength by 66.6 percent. Furthermore, the technicians of highway section are generally busy with construction designs, and in view of the amount of construction jobs on hand, they have no time to attend to highway maintenance. That is why the maintenance force is so weak technically. Now let us look at the grades of our technicians. In our section, for example, 73 percent of the workers and staff members are of second and third grades and only 23.2 percent are of fourth to sixth grades. The remainders are all administrative personnel. Even technicians from the fourth to the sixth grade, strictly speaking, are somewhat below the standard set by the Ministry. According to established requirements, fourth graders, for example, should be able to understand common diagrams and handle the job of lofting for the partial improvement of the road foundation and the road surface. Actually, however, not many of them can read diagrams or perform lofting. Again, fifth graders, according to the same requirement, should be able to use the hand level and the levelling instrument for simple surveying, to compute the workload, and to produce blueprints. Yet not many of them can do this.

Thirdly, let us review what we have learned from the accidents resulting from poor work quality and insufficient attention to technology. In some places, why have asphalt road, surfaced in the first year, deteriorated in the second? The cause is that the administrative personnel there are not familiar with their jobs and can only act blindly from design to construction. Had the technicians and workers been given the necessary vocational training before the construction, the number of accidents from poor quality would have been greatly reduced. Why were some localities willing to let the incompetent basic level units undertake the construction and waste government money instead of spending a little to train backbone technical elements? I hope the highway authorities will pay attention to this question instead of continuing to draw lessons passively. We must know that in building every kilometer of asphalt, the state has to spend at least 30,000 yuan. If the quality is unsatisfactory, the loss can be tremendous. It will cost us much more for building a new bridge or a new highway. Thus we can see that the technical strength of a construction unit has a decisive effect on the quality of work. We can also see that a successful technical training program for all workers and staff members will be beneficial to the state as well as the people. This should be the most lucrative investment, but why have we hesitated about it?!

Fourthly, let us look from the standpoint of our highway modernization. To accomplish the four modernizations, the problem of communications and transportation should be solved first of all, because, as we all know, communications and transportation are the vanguard of the four modernizations. To build expressways is the inevitable trend of highway modernization. Along with the development of highway technology and the emergence of new techniques in designing bridges and the progress in mechanization of road construction and maintenance, the cultural level of the work contingent as well as technology and management should also be raised rapidly. Since the present cultural and technical levels of the workers and staff members at the basic level units are still so low, failure to strengthen their training will delay or even hold up the progress of highway modernization. At the same time, many specific jobs for highway modernization hereafter have to be undertaken by the work contingents at the basic levels. For example, high grade or second grade road surfacing, and maintenance after the completion of work will have to be handled by the basic level workers. "For a long-range plan, quality must come first," and there should be "meticulous designing and meticulous construction." This will be the future requirement for high modernization. In view of this, therefore, personnel training must be undertaken, and seriously, too.

2. How to Carry Out Personnel Training Successfully?

On this question, RENMIN RIBAO and GUANGMING RIBAO have recently published topical articles proposing that "the road of learning be left wide open." At the same time, national as well as local papers have carried the names of some successful units in personnel training, and their experiences deserve to be studied or used as reference material by our highway departments.

In my opinion, there are many ways for personnel training.

First, training based on the standard of education. Literacy class, secondary class, high class, secondary technical class, high technical class and foreign language class can be separately held according to the workers' educational background and under the principle of voluntary participation. By this means, we can avoid training people of different educational backgrounds at the same time and thus slow down the rate of progress. The experiences of many localities have proved that better results can be achieved by training according to individual cultural standards.

Second, training according to the types of work for different workers so as to help them learn their own line in which they may not be proficient. In this way, they will learn exactly what is required for practical use. For example, according to the present classification of types of work in the highway departments, those engaged in production can attend training classes on road maintenance, bridge construction, stock-keeping, masonery, carpentry, driving road maintenance trucks or engineering trucks, or vehicle repairs. For administrative personnel, training classes can be conducted on enterprise management, political work, finance, statistics, general affairs and the work of handymen, to help them know their own jobs more thoroughly.

Third, training according to the present technical grading. In other words, workers drawing salary of a certain grade should know whatever is required for that grade. A test should be held at the closing of each training class, and those who fail in

the test will have to undergo training again. If he fails again, his transfer for another type of work should be considered, and instead of complex technical work, he should be given a simpler job. This will encourage all workers to strive for greater professional efficiency in order to serve the four modernizations.

During training, the workers may be removed from active duty or may continue to do semi-active duty. Vocational college and correspondence college can also be established. Instead of imposing a rigid uniformity, we should arrange the curricula according to the requirements of different types of students. Short-term classes should take 1 month and the long-term ones should take 3 months each. The time should be longer for vocational colleges and correspondence colleges which may require 1-3 years. This will assure the emergence of talents from these schools. Off the job study can produce better results by providing a more solid foundation of learning, and is a good method of speeding up the progress, because, by relieving the students of the worry about their jobs, it can help them study with undivided attention. Studying on the job will divert the students' attention and the result may not be satisfactory.

In order that the leaders, teachers and students will be all enthusiastic in running schools, in teaching and in learning respectively, it is suggested that highway departments at various levels pay attention to the following points concerning the training of workers: All workers, whose training takes them away from their jobs or permits them to do only part-time jobs, should be paid full salaries. Furthermore, a system of scholarship should be introduced. The result of training should be used as the basis for promotion, and the teachers engaged in the training program should be treated as engineers or cadres and paid accordingly.

The central authorities have issued the call that illiteracy eradicated before 1800, and that workers should generally have received high school education before 1985. This is a great strategic decision. Therefore, the highway departments' task is quite an arduous one in view of the broad scope of their workers' training program, and the heavy responsibility, the difficulty and the urgency involved. How to effectively fulfill this task and to fit the role of their work teams into the task of highway modernization is a problem deserving careful study by the leaders of highway departments at various levels. In my opinion, if the leadership at various levels will give serious thoughts to the matter of training and take positive action in organizing and supporting it, the training program will certainly be a success.

I have written this article out of concern for the highways and as a means of expressing my opinion in the discussion of the question of Chinese-style modernization of highways. Please comment.

Technological, Economic Surveys

Beijing GONGLU [HIGHWAY] in Chinese No 9, 25 Sep 80 pp 10-11

[Article by Planning Section of Highway Planning and Design Academy of Ministry of Communications: "A Brief Introduction to the Findings and Experiences of Technological and Economic Surveys on National Road Building"]

[Text] It has been already 1 year since the technological and economic surveys on national roads began. The technological surveys has been in the main completed, and we are now concentrating our energy on the compiling of data. While conducting these surveys, Shaanxi, Gansu, Fujian and Jiangxi Provinces have already organized their forces for a typical survey on the volume of social traffic, while Sichuan Province has begun to compile data on the history of highway development. During the surveys on the volume of traffic beginning last July and August, more than 2,300 spot-check points and some 60 continuous watch posts have been set up. Besides periodically checking and recording the various types of vehicles on the highways, Henan, Hebei and Tianjin have also begun to compile the data on the volumes of traffic for analysis and research, while many regions have conducted observations on the driving speed of motor vehicles. The purpose of these technological and economic surveys is to determine the interrelationship between the highway traffic situation and the national economy, the ratio of highway traffic in the overall traffic volume, and the problems governed by certain inherent laws in the development of highways. The findings will be useful reference materials in the analysis and study of relevant principles and policies and in planning and layout and scope of constructing a national road network on a more practical basis. In April, representatives of 19 provinces and municipalities were invited to attend two separate forums concerning the technological and economic surveys on national road building and on the traffic situation respectively. The surveys brought up for discussion at the forums were highly regarded by the leadership at various levels. They have achieved certain success and gained some practical experiences which are being briefly introduced as follows:

Shandong Province attached great importance to the technological surveys on national roads and actively organized its forces to strengthen supervision, checking and repeated verifications. While ascertaining the situation of existing highway technology, it has also begun to set up technical files to be used by units at various levels.

Using counties as models, Shaanxi and Gansu Provinces set up experimental spots for typical economic surveys. They used the methods of issuing investigation forms followed by door-to-door visits. First, they found out the volume of traffic in and out of different departments, such as industrial, agricultural, commercial, material and capital construction departments, and then collected information on the amount of production and the sources and destinations of raw materials. Based on this information, they will figure out the total volume of social freight traffic on the highways. At the same time, they found out the number of vehicles owned by different transportation systems and the utilization rate of vehicles to figure out the total volume of freight traffic. They will then compare the results and arrive at a reliable figure.

Before calculating the volume of social freight traffic, Fujian Province first conducted a typical survey on social traffic by vehicles. Its method was to classify social vehicles into three different types and then check their efficiency. Special convoys with high efficiency belong to the first type; those belonging to units with fleets of more than 10 vehicles of lower efficiency belong to the second type; and those belonging to units with small fleets, poor management and low efficiency belong to the third type.

Henan and Hebei Provinces used data from spot checks to prepare charts showing a comprehensive picture of the volume of traffic. The volume and the technical conditions of the routes at different sections of national roads are vividly shown on these charts. This will prepare the necessary conditions for working out plans for the technical transformation of highways and for keeping tab on the ratios of different types of vehicles on the national roads so that further action could be taken to solve the problem of mixed traffic. Henan Province used the data obtained from the continuous watch post in Rongyang County. After compilation, these data were made into charts to show the distribution of traffic every month, week, day and hour. It was hoped that after a period of exploring for the laws, the various unbalanced coefficients and peculiarities could be discovered and then the simpler method of observation could be used without lowering any quality. The Chengzhou general section in Henan conducted a careful observation of the driving speed and gained valuable experiences in this type of survey.

Based on 6 months' traffic volume data, Tianjin produced diagrams of curves to show the ratios of different vehicles after conversion to comparable terms. These diagrams were to be analyzed and studied. In Shaanxi Province and Beijing Municipality, observation posts were set up along not only the national roads, but also the provincial and municipal trunk roads. Hebei Province even planned a survey on the ratio of traffic volumes on highways administered at various levels of the province.

After the exchange of experiences in the forums, the participants studied the requirements and methods to be adopted after the surveys. They all held that the surveys on the technology, economy and traffic conditions were three components closely connected with the exploration for objective laws of highway development. Practice in the past year has proved that such surveys are necessary not only on national roads, but also on the whole problem of highway development. This is a necessary step in accomplishing the modernization of highways and their management, and in adhering to the principles of seeking truth from facts. The economic survey on highways should continue to be treated as a basic task in systematically accumulating historical data on highway development and management.

The Third Plenum of the Party pointed out the need to uphold seeking truth from facts and following the objective laws as a basic principle in striving for the four modernizations. In setting the goal for highway modernization and in working out a long-range plan, the way to implement this principle as a means of overcoming difficulties caused by failing to size up the situation, having no idea in mind and being short of the required data is a problem deserving widespread attention. The technical and economic surveys carried out last year were only part of the investigation on the overall highway traffic problem, and whether this investigation can be firmly kept up will mainly depend on the close attention and support from leading comrades at various levels. Therefore, we hope special persons will be assigned to carry out the required measures of organization in order to insure that genuine data are collected, to strengthen supervision and checking up on the work, and to set up the necessary system for the filing of materials. The surveys of an exploratory nature carried out by some provinces and municipalities as mentioned above represents a good start. Through our common efforts, we can certainly create even better experiences and achieve better results as our contribution to the accomplishment of the Chinese-style modernization of highways.

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PRIORITY IN FUEL SUPPLY FOR EFFICIENT TRANSPORTATION SUGGESTED

Chengdu SICHUAN RIBAO in Chinese 5 Nov 80 p 2

[Article by Deng Zhiren [6772 1807 0088] and He Yuanchao [0149 0337 6856]: "In Fuel Supply, Priority Should Be Given to High Efficiency Transportation Vehicles"]

[Text] In our privince, fuel is being consumed by more than 90,000 civilian vehicles. They account for more than 80 percent of the total provincial fuel consumption and are among the highest fuel consumers. Therefore, the question of supply and conservation of fuel is an important one and deserves careful study.

At present, while many vehicle transportation departments and units are reporting on the shortage of fuel supply, there is also the phenomenon of improper use and serious waste. As we understand, since the beginning of 1980, the average unitary consumption of fuel by vehicles, either professional transport vehicles or otherwise, have shown an increase over last year. One of the important causes is that no consideration has been given to the relative urgency or the size of the jobs involved. Instead of being guided by the level of fuel consumption under strict scrutiny, fuel is being supplied mainly according to the number of vehicles. Furthermore, when the call for fuel conservation is issued, fuel is arbitrarily reduced for certain vehicles or vehice-owning units. The low consumers receive no encouragement while the high consumers are not penalized. This does not help in fuel conservation or in achieving better economic results in vehicle transportation.

The solution to the problem lies in following the principle of giving priority to high efficiency transportation vehicles in the supply of fuel. For this purpose, we are tentatively offering the following suggestions for the consideration and reference of the departments and units concerned.

First, give priority to the high efficient vehicles according to the transportation task required. At present, among the civilian freight hauling vehicles in the province, nonprofessional transportation vehicles amount to 83 percent, while the professional ones amount to less than 17 percent of the whole fleet. Yet, generally, the volumes of traffic handled by them in social circulation is not much different. According to the situation of fuel consumption in 1979, the professional transportation vehicles of our privince consumed 9.4 liters for every 100 ton/kilometer, and nonprofessional transportation vehicles consume 13.8 liters for the same ton/kilometer. The latter consumed 47 percent more than the former did. If we calculate consumption according to the rate of the nonprofessional transportation vehicles, the provlince each year has to consume 105,000 tons which are equivalent

to 20 percent of the total annual fuel supply in the province. Therefore, we should change the practice of supplying fuel according to the number of vehicles to that of supplying according to the size of the transportation jobs and give priority to the professional transportation vehicles and those engaged in special trips required for forestry, petroleum and geology. In this way, we will be able to use energy rationally, promote the coordination of professional transportation, and markedly raise the economic gains of vehicle transportation.

Second, give priority to those vehicles with low fuel consumption. Encouragement should be given to those consuming less fuel, while the high consumers should be given only restricted amounts. According to investigations carried out by relevent units in Chengdu Municipality, some vehicles consume only 8.9 liters for every 100 ton/kilometer, while others consume more than 26 liters. Despite the large difference between the two, no differentiation is made in the supply of fuel. This is obviously unfavorable to fuel conservation. Therefore, some regulations should be worked out so that vehicles whose fule consumption is below a certain level should be given priority in fuel supply, while supply for those whose consumption is above that level should be correspondingly reduced, and a time limit should be set for them to lower their consumption level.

Third, priority in fuel supply should be given to vehicles of high efficiency. Vehicle transportation efficiency in our province as a whole is on the average level. However, there are great differences between the professional and the nonprofessional transportation vehicles, between different units, and between different vehicles of the same unit. According to an analysis of some data, the efficiency of professional transportation vehicles are generally higher than that of nonprofessional ones by four times. Efficiency is even much lower among those vehicles with no important transportation tasks, those that are widely scattered, and those that are seldom put to work. At present, we are supplying fuel according to the number of vehicles. Even though we may note certain change in consumption by each vehicle every year, yet, in reality, fuel for those vehicles showing high efficiency are usually in short supply, despite the heavy traffic strain on them. On the other hand, those carrying lifht loads need not worry about "being fed." This situation, if not promptly changed, will not help in giving full scope to strong points, organizing rational transportation and solving the present problem of making unprofitable runs.

Fourth, give priority to those showing good economic results. In vehicle transportation, we should aim at low cost, good quality and high efficiency. At present, vehicles in our province are of two categories: One of them is strict in economic accounting, good in management, and hands over to the state 5,000-10,000 yuan of earned profit or tax. The other category has no economic accounting, is poor in management, makes less contribution to the state or even loses money instead of handing in any profit or tax. Obviously, priority in fuel supply for the former should be guaranteed while certain restrictions should be imposed on the latter.

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GENERAL

ZHEJIANG 1980 REVENUE PLAN FULFILLED

Hangzhou ZHEJIANG RIBAO in Chinese 14 Nov 80 p 1

[Article by ZHEJIANG RIBAO correspondent: "Our Province Fulfilled 1980 Revenue Plan by Implementing National Economic Policy of Readjustment and Enforcing System of Financial Responsibility"]

[Text] By 10 November, our province already overfulfilled its annual revenue plan by 2.5 percent. Compared with the same period in 1979, the revenue increased by 20.1 percent, and the portion handed over to the central authorities increased by 16.2 percent.

Our province's expenditure in the current year is also below that of 1979. By 10 November, the expenditure throughout the province showed a reduction of 4 percent as compared with the same period in 1979. Because of the suspension and postponement of a number of local projects on different occasions and the curtailment of investments on capital construction, the outlay on capital construction was reduced by 32.5 percent as compared with 1979.

The main cause for the fine performance of our province in handling its revenue and expenditure in the current year is its implementation of the national economic policy of readjustment. In dealing with the light and textile industries, the "six priorities" principle was practiced and economic cooperation with fraternal provinces and regions has been actively promoted with every possible effort to increase the source of raw materials needed by the light and textile industries. As a result, the growth of light and textile industries has been faster than that of heavy industry. In the first 10 months of 1980, the total output value of light and textile industries increased by 33.7 percent over the same period in 1979. In implementing the "eight-character" policy, our province has taken action on 65 factories, mines or enterprises--which produced unwanted goods at high material consumption or without assurance of raw materials--by closing, suspending or amalgamating them, to switch to the production of other goods. Through these measures, steady industrial production and a rational economic structure were maintained.

Since the beginning of the current year, the people's provincial government has enforced the system of financial responsibility on various municipalities and counties. This system became a strong impetus to the fulfillment of the annual revenue plan ahead of schedule. In Ningbo and Wuxing counties, part

of the standby financial resources was utilized to support 79 projects of tapping potentials and renovating and improving equipment. The completion and commissioning of these projects will increase the annual output value by more than 600 million yuan and increase revenue by more than 24 million yuan.

Recently, a provincial meeting of the directors of all finance bureaus was held, and concrete measures were worked out to implement the State Council Notice and the spirit of the nationwide conference of finance bureau directors in order to strive for even better results in increasing revenue during the remaining 2 months.

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GENERAL

PRIMITIVE MANAGEMENT CRITICIZED

Shanghai JIEFANG RIBAO in Chinese 14 Nov 80 p 1

[Cartoon]

[Cartoon in 14 Nov 80 issue of JIEFANG RIBAO depicting the discrepancy in China between advanced equipment, here represented by the automobile, and backward management, represented by the "driver."]

Advanced Equipment Backward Management

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END